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Before the

UNITED STATES POSTAL RATE COMMISSION

In the Matter of: POSTAL RATE AND FEE CHANGE

Docket No. R2000-1

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BEFORE THE
POSTAL RATE COMMISSION

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In the Matter of: :
POSTAL RATE AND FEE CHANGE : Docket No. R2000-1
- - - - - - - - - - - - - - - - - - - -X

Third Floor Hearing Room
Postal Rate Commission
1333 H Street, N.W.
Washington, D.C 20268

Volume XXI
Thursday, May 11, 2000

The above-entitled matter came on for hearing, pursuant to notice, at 9:38 a.m.

BEFORE:
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HON. W.H. "TREY" LeBLANC, COMMISSIONER
HON. DANA B. "DANNY" COVINGTON, COMMISSIONER
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P R O C E E D I N G S

[9:38 a.m.]

CHAIRMAN GLEIMAN: Good morning. We continue our hearings to receive testimony of Postal Service witnesses in support of Docket R2000-1.

Witnesses Unger and O'Tormey are scheduled to appear today. Additionally, a limited amount of cross-examination concerning responses to discovery provided by witnesses who have completed their testimony, their oral testimony, and responses to discovery provided by the Postal Service as an institution will take place today.

The Alliance of Nonprofit Mailers, KeySpan Energy and the Major Mailers Association will conduct this additional cross-examination.

Today we have tentatively decided to hear from Witnesses Unger and O'Tormey first and, counsel, we are going to stick with that schedule?

MS. DUCHEK: Yes, Mr. Chairman, we are.

CHAIRMAN GLEIMAN: Also, today was the date when designations of responses to questions provided by witnesses who have completed their oral testimony and institutional responses of the Postal Service are to be incorporated into the record. As is our practice, copies of the designated material has been made available in the hearing room this morning for review by counsel prior to being admitted into

evidence.

Because of the volume of designated responses, I am going to defer admitting this material into evidence until close of today's hearing and counsel are urged to review these materials to make necessary adjustments. I also want to give notice that the Commission will designate and enter into the record responses to Presiding Officer Information Requests, responses to a few discovery requests that have not designated by participants and responses to certain questions posed from the bench during these hearings.

Finally, because the Postal Service is continuing to provide responses to discovery and to questions that witnesses have agreed to answer, it will be necessary to allow an opportunity for additional designations. I will establish a date when additional designations are to be made. For those parties preparing their cases, you may assume that the additional designations will be admitted into evidence and rely on such material in preparing testimony and exhibits.

Does any participant have a question or matter they wish to raise before we begin oral cross-examination today?

MR. McBRIDE: Yes, Mr. Chairman. Michael McBride for Dow Jones & Company. We have discussed this matter with

Postal Service counsel and, in light of the fact that some responses from Witness O'Tormey were only filed last evening, or at least late yesterday afternoon, they and we have agreed, subject to your approval, to submit designations of written cross-examination for Witness O'Tormey at a later date.

CHAIRMAN GLEIMAN: I think that will be acceptable in light of the fact that we are going to have a date for later designations to be admitted, for material that is still due in, either interrogatory responses or follow-up to questions during cross-examination over the last week.

MR. McBRIDE: And if I may, that will probably eliminate the need for me to ask to cross-examine Witness O'Tormey, but I would like to ask orally for leave to cross-examine Witness Unger this morning.

CHAIRMAN GLEIMAN: Certainly.

MR. McBRIDE: Some of us have discussed an order rather than the usual alphabetical order, at least among the Periodicals Mailers Coalition representatives. Mr. Bergin would go first, followed by me, followed by Mr. Levy. And then Mr. Feldman may have follow-up.

CHAIRMAN GLEIMAN: I'm sorry, Bergin first with McGraw Hill & Companies.

MR. McBRIDE: Right.

CHAIRMAN GLEIMAN: You are going to take -- you

are going to bat second.

MR. McBRIDE: That's correct. Mr. Levy third and Mr. Feldman may have follow-up. I know at least one other party wants to cross-examine, that is PostCom, and we are certainly not suggesting what order they ought to come in.

CHAIRMAN GLEIMAN: Well, we will --

MR. VOLNER: Mr. Chairman, I can simplify this. PostCom waives its right to cross-examine Witness Unger.

CHAIRMAN GLEIMAN: Thank you for simplifying things, I need that today. And do I understand correctly that between you, Mr. McBride, and Mr. Bergin, that the concerns and interests, in terms of cross-examination of this witness by the Magazine Publishers of America will be addressed, or are the still in the line-up somewhere?

MR. McBRIDE: Those concerns are going to be addressed by all three of us, Mr. Bergin, myself and Mr. Levy.

CHAIRMAN GLEIMAN: All right.

MR. McBRIDE: And possibly by Mr. Feldman.

CHAIRMAN GLEIMAN: Thank you.

MS. DUCHEK: Mr. Chairman.

CHAIRMAN GLEIMAN: Certainly.

MS. DUCHEK: I had one other matter. For the convenience of the parties, there were three things we filed yesterday and we have them on the table behind us, if the

parties need extra copies. Those were the responses of Witness Unger to the Alliance of Nonprofit Mailers Interrogatories 1 through 4, the supplemental response of Witness O'Tormey to MPA-3(d), and an attachment to Time Warner/USPS-9. The response to the interrogatory was filed two days ago, but we inadvertently omitted the attachment and so that was filed yesterday and copies of that are on the table behind us.

CHAIRMAN GLEIMAN: Thank you. Anyone else?

MR. LEVY: Yes, Mr. Chairman. David Levy, Alliance of Nonprofit Mailers. A procedural question, and I apologize in advance for raising it. We had asked for the opportunity to cross-examine Mr. Tayman and/or some other Postal Service witness on some of the follow-up answers provided by the Postal Service to our questions, primarily concerning depreciation lives and the bases for them.

We received the Postal Service's answers to our April 28th set yesterday, in the middle of the day, and there was nothing on the web site indicating that he would be cross-examined today. I checked with the Commission's staff last night about 5:30 and it was indicated that the two witnesses were Unger and O'Tormey.

I can be prepared to cross-examine the witness on those subjects today, but would appreciate if it could be starting at the middle of the afternoon so I could have

about half an hour to prepare.

CHAIRMAN GLEIMAN: I don't think that will be a problem. If necessary, we will even go so far as to take a late, a long lunch to accommodate you. And if you can get your colleagues to ask lots of cross-examination of the two scheduled witnesses this morning, of course, that would help out, too.

MR. LEVY: Unfortunately, I think part of that burden is falling on me.

CHAIRMAN GLEIMAN: I think we can accommodate you in that regard.

MR. LEVY: Thank you.

CHAIRMAN GLEIMAN: Anybody else? Anything else?

[No response.]

CHAIRMAN GLEIMAN: I wore my smiley face tie today because I knew today was going to be a good day and we were all going to walk out of here smiling, and it is the last day of this round of hearings, I think. So, we will move right ahead.

Ms. Duchek, if you would introduce your witness.

MS. DUCHEK: Yes, Mr. Chairman. The Postal Service calls Dennis R. Unger.

Whereupon,

DENNIS R. UNGER,

a witness, having been called for examination and, having

been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MS. DUCHEK:

Q Mr. Unger, I have previously provided you with two copies of a document entitled Supplemental Testimony of Dennis R. Unger on behalf of United States Postal Service, in response to Order Number 1289, designated as USPS-ST-43.

Are you familiar with that document?

A Yes.

Q Was it prepared by you or under your supervision?

A Yes, it was.

Q And if you were to testify orally today, would this still be your testimony?

A Yes, it would.

MS. DUCHEK: Mr. Chairman, I'm going to provide the Reporter with two copies of Mr. Unger's Supplemental Testimony, USPS-ST-43, and I ask that they be entered into evidence.

CHAIRMAN GLEIMAN: Is there any objection?

[No response.]

CHAIRMAN GLEIMAN: Hearing none, the testimony that Ms. Duchek is about to provide to the Reporter, that of Witness Unger, will be received into evidence, but not transcribed into the record.

[Supplemental Direct Testimony of Dennis R. Unger, USPS-ST-43 was received into evidence.]

CHAIRMAN GLEIMAN: There was no Designated Written Cross Examination for the witness in advance of the hearing today. So the question that I have at this point is, is there any Written Cross Examination that anyone wishes to offer up at this point in time?

Mr. Levy?

MR. LEVY: Yes, Mr. Chairman.

CROSS EXAMINATION

BY MR. LEVY:

Q Good morning, Mr. Unger. I'm handing you two copies or two sets of what are marked Response of USPS Witness Unger to Interrogatories ANM/USPS-ST-43-1 through 43-4, which we received yesterday, and I'd like you to take a look at them.

[Pause.]

Do you adopt those documents, Mr. Unger, as your interrogatory answers 1 through 4 to ANM's questions?

A Yes, I do.

Q And they were prepared by you or under your supervision?

A Yes.

Q And if you were questioned about them orally

today, your answers would be the same?

A Yes, they would.

MR. LEVY: Mr. Chairman, I ask that the two sets of documents which I will hand to the Reporter be admitted into evidence and entered into the transcript.

CHAIRMAN GLEIMAN: I'll direct that the material be received into evidence and transcribed into the record.

[Designated Written Cross Examination of Dennis R. Unger, ANM/USPS-ST-43-1 through -4 were received into evidence and transcribed into the record.]

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS UNGER TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS

ANM/USPS-ST43-1 In Section IV of your testimony, beginning on page 13, you discuss the issue of flat sorter productivity. In particular, you note that the Southeast Area productivity trend has followed the national trend, and over the past four years has declined from 711 total pieces handled per work hour to 545 total pieces handled per work hour, a decline in productivity of some 28 percent. You note that "beneficial operational changes have had a very significant impact, but have contributed to the impression of a loss in productivity." (Emphasis added.)

a. Please identify and describe each such "beneficial operational changes."

b. Have these "beneficial operational changes" been effective to offset fully the apparent decline in productivity over this period? If so, please explain how.

c. Produce all data indicating the extent to which these "beneficial operational changes" have offset the apparent decline in productivity over this period.

RESPONSE:

a. The "beneficial operational changes" include sortation to carrier routes on FSM equipment, shifting of volume to FSM 1000 equipment, and the introduction of bar code and optical character readers.

Distribution of flats to carrier route on FSM equipment is more efficient than the manual sorting which it replaces. The mail processed on FSM equipment includes flats previously sorted by either the Postal Service or mailers to the the five-digit ZIP Code level. Sorting to carrier route is accomplished primarily by use of bar codes or optical character readers and, to a lesser degree, by keyers.

The FSM 1000 is capable of processing a wider range of flats in terms of dimensions, weight and packaging surfaces. Where practical, many plants now process virtually all mail volume of certain sort schemes, such as SCF, outgoing, or incoming primary, on this equipment. The result is the reduction or elimination of redundant sweeping, set-up, and allied labor tasks, which would otherwise be needed if several types of equipment were utilized.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS UNGER TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS

Although the introduction of bar codes and optical character readers increased efficiency overall, it became necessary to separate machinable flats as to readability characteristics.

b. These changes have not offset fully the decline in FSM 881 productivity, but have had a very significant positive impact on the Southeast Area budget.

c. There are no data that address these changes directly. Operational changes such as these are quantified as reductions to our annual budget. We achieved our operating budget targets each fiscal year, from 1995 through 1999.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS UNGER TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS

ANM/USPS-ST43-2 You contend that sorting mail to carrier route is more efficient when performed on FSM 881 equipment, but note that throughput of the machine is affected by the change from one set of five digit zones to another.

a. Do the guidelines now in place assure that decisions negatively affecting machine utilization are offset by greater savings generated in other areas?

b. Describe these guidelines and the process in which they are used, and produce copies of all such guidelines in current use.

c. Provide examples of how tradeoff decisions regarding machine and personnel utilization are evaluated to determine if they were truly effective.

d. Produce copies of all such evaluations performed since 1993 by or for (1) regional management for Florida, Georgia, Alabama, Mississippi or Tennessee or (2) Postal Service headquarters management.

RESPONSE:

a. It is my opinion that the guidelines assure that we realize net savings on this type of decision.

b. The only guidelines of which I am aware regarding carrier sortation are incorporated into our Publication 128, Strategic Improvement Guide for Flats Processing, previously filed as USPS-LR-I-193.

c. Tradeoff decisions take two general forms. One is intended to produce long-term changes in processing methods; the other involves decisions made to address immediate circumstances.

   More long-term decisions would include moving FSM equipment among our processing facilities and using additional capacity if it becomes available on an ongoing basis within a prescribed window.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS UNGER TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS

In instances where we have found that FSM equipment was not utiized adequately, we have moved it to new locations, even to the extent of moving machines between Areas.

When we identify opportunities to use additional sorting capacity on FSM equipment, processing managers may establish new sort schemes and begin processing flats for additional ZIP Code areas on the available machines. The initial decisions regarding sortation to carrier routes, cited in my response to ANM/USPS-ST43-1, is a key example of this type of decision.

The other general category of decisions includes the day-to-day decisions made to address immediate circumstances. These decisions are made based on a variety of factors, any of which may be relevant at a given time and any of which may change within minutes. Factors might include the volume of mail available, anticipated volumes yet to be received, various characteristics of available mail, time left in the processing window, staffing considerations at the plant or at the delivery units, transportation availability, weather or other natural conditions, and other circumstances.

Please refer to Witness Kingsley's responses to Interrogatories MH/USPS-T10-3 and NNA/USPS-T10-15 for additional perspectives on decision criteria, particularly with respect to the second category of decisions.

d. I know of no instances where written evaluations have been completed or kept. The decisions described in subsection (c) are made based on the experience of the managers involved.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS UNGER TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS

ANM/USPS-ST43-3 In your testimony on page 13, lines 26 through 30, you discuss utilization of the FSM 1000 equipment.

a. Please explain what you mean by the statement, "many processing plants have moved all volume for given operations to this equipment."

b. Explain the causal link, if any, between the stated phenomenon and the rising cost of handling periodical mail.

c. Produce all data that support your response to part b.

RESPONSE:

a. The FSM 1000 is capable of processing a wider range of flats in terms of dimensions, weight, and packaging surfaces than is the FSM 881. The term "given operations" refers generally to different sort plans for FSM operations, such as SCF, outgoing, or incoming primary.

   Each time a given piece of equipment is used to distribute mail according to a sort plan different from that previously used, personnel must empty the sorting bins of all distributed mail and must perform certain set-up and other allied labor tasks to prepare for the next type of mail.

   By placing virtually all volume for a given sort plan on the FSM 1000, redundant sweeping and set-up activities can be avoided for the FSM 881, thereby avoiding those costs.

   In some instances, this cost-saving measure has left the FSM 881 operations with less volume in certain processing windows. This, in turn, has created a greater opportunity to process carrier route mail on the FSM 881, and thereby has increased the percentage of mail processed to carrier route to total mail volume processed for the FSM 881.

Carrier route sortation on FSM's is generally a lower productivity operation than sortation on other sort plans, which has contributed to a decline in the average total productivity for the FSM 881.

b. As discussed in subpart (a), some plant managers have moved processing of large batches of flat mail from FSM 881 to FSM 1000. At the same time, mailers have incorporated new characteristics, such as polywrap, into their mail pieces. A supervisor deciding where to work a batch of mail containing pieces with polywrap might process the entire batch on the FSM 1000. This would take advantage of the ability of the FSM 1000 to handle polywrap with fewer jams than FSM 881's and would save the cost of redundant sweeping and setup activities. In some instances, this could cause an increase in the cost of handling Periodicals mail within that batch of mail.

c. There are no such data which I can produce. My response to subpart (b) is based upon my experience.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS UNGER TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS

ANM/USPS-ST43-4 On page 15, lines 8 through 12, you raise the issue of achievement of operating budget and net income. Please confirm that giving primacy as an organizational goal to meeting the "bottom line operational budget" can, in some circumstances, lead to sub-optimized performance in a particular cost segments (such as processing periodicals).

a. If you do not confirm, please explain fully.

b. If you do confirm, please identify all standards and procedures adopted by the Postal Service to avoid harming either the cost or quality of serving particular classes of mail.

c. Please produce all data, studies, analyses and other documents needed for a third party to verify your responses to parts a and b.

RESPONSE:

a. Based on my experience, I believe it is possible that the objective of minimizing total costs does not always translate into results that minimize every subset of costs.

b. With respect to avoiding harm to the cost of serving particular classes of mail, it is my belief that Publication 128, Strategic Improvement Guide for Flats Processing, provides those standards and procedures.

   I do not know what you mean by the term "quality." If you mean achieving appropriate levels of service, my answer is that with respect to avoiding harm to the quality of serving particular classes of mail, processing priorities are listed in the Postal Operations Manual (POM) Section 453 and apply to all operations.

c. With regard to subsection (a), my response is based on my experience. I know of no data, studies, analyses, or other documents available to confirm my response.

CHAIRMAN GLEIMAN: Is there anyone else who has wants to designate some Written Cross Examination?

MR. VOLNER: Mr. Chairman, we do have Written Cross Examination, but I think it might expedite the process if we Designated the Written Cross, since we're not doing oral cross, at the later date when the remaining designations are to be put in. I can do it now, or we can do it later.

I just thought that since we don't have oral cross, I don't need it in the record today for Mr. Unger.

CHAIRMAN GLEIMAN: I would just as soon, inasmuch as it relates to this witness, get the material. Inasmuch as the material is available, there's so much that is still outstanding, that I think that it will make for a better record if we do it today.

And you can take your time gathering material.

CROSS EXAMINATION

BY MR. VOLNER:

Q Mr. Unger, I have handed you copies of your responses to PostCom Interrogatories 1-5; 6(b) through (e); and response to Interrogatory 7 that's the second of the two documents.

Do you recognize these documents, and did you -- were these answers prepared by you or under your supervision and control?

A Yes.

Q And if I asked you these questions orally today, would your answers be the same?

A Yes, they would.

MR. VOLNER: Mr. Chairman, I am supplying to the Reporter, two copies of these sets of interrogatory responses, with the request that they be admitted into the evidence in the record at this point.

CHAIRMAN GLEIMAN: The material is received into evidence and transcribed into the record.

[Additional Designated Written Cross Examination of Dennis R. Unger, PostCom/USPS-T-43-1 through 5; 6(b) through (e); and PostCom/USPS-T-43-7 were received into evidence and transcribed into the record.]

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS UNGER TO INTERROGATORIES OF ASSOCIATION OF POSTAL COMMERCE

POSTCOM/USPS-ST43-1 You say (at page 4 of USPS-ST-43) that "Some mailings in other [than Periodical] classes arrive in a line-of-travel sequence . . . ." Please identify those other classes.

RESPONSE:

I referred to Standard A mail.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS UNGER TO INTERROGATORIES OF ASSOCIATION OF POSTAL COMMERCE

POSTCOM/USPS-ST43-2 You note (at page 4 of your testimony) that "Mail of all classes frequently arrives in pallets and sacks. Pallets are generally the easier to handle . . . ." You discuss the cost of breakage of periodical bundles and recite that you " . . . understand that recently measures have been initiated to minimize mail processing bundle breakage."

(a) Do these measures have to do only with bundles of Periodicals? If not, to what non-Periodical mail do they apply.

(b) Do you have any information concerning the anticipated success of these "measures"? If so, what is it?

RESPONSE:

a). No, any strapped mail is subject to breakage. However, when I see broken bundles, they are most frequently Periodicals mail.

b). I am confident that the measures designed to reduce the frequency of bundle breakage will meet with success. I am seeing increased emphasis on mail preparation changes, consideration of equipment modifications, and changes in work methods to reduce bundle breakage and recover broken bundles. See also the response of Witness O'Tormey to MPA/USPS-ST42-10.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS UNGER TO INTERROGATORIES OF ASSOCIATION OF POSTAL COMMERCE

POSTCOM/USPS-ST43-3 . Witness O'Tormey attributes to you the conclusion that " . . . the Postal Service had difficulty reducing the number of employees [hired in the fall of 1998]." Is this an accurate characterization of your testimony?

RESPONSE:

The personnel issue for us involved several variables. These included (1) the timing of increased numbers of mailings for both the 1998 fall mailing season and in late 1998 (in anticipation of the January, 1999, rate change); (2) achieving appropriate staffing levels for those peak workloads; and (3) practical considerations surrounding hiring and terminating employees, especially temporary ones.

In the Southeast Area, a significant percentage of the employees hired in advance of the 1998 fall mailing season were temporary employees, called casuals. These employees could have been terminated immediately when the increased fall workload failed to appear. However, for a number of reasons, we chose to retain them. The circumstances in fall 1998 that influenced our decisions were:

a. Mailers' communications and our own forecasts indicated that we should expect higher workloads in fall 1998 than other times of the year. However, that forecast did not predict the exact dates to expect the surge. We hired the additional resources in anticipation of the increased fall mailings predicted. Given our commitment to mailers that we would ensure trained staff would be ready when the volumes arrived, most were employed shortly before the dates we expected to need them so we could train them and have them available when heavy mailing volumes appeared.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS UNGER TO INTERROGATORIES OF ASSOCIATION OF POSTAL COMMERCE

We had no communication from Headquarters or from mailers that told us to stop expecting those increased volumes. We had no information to conclude that we should not retain this additional personnel.

b. In addition to the fall mailing season, we anticipated higher than normal workloads in late November and December as customers entered mailings in advance of the rate change that was scheduled for January, 1999.

c. The terms of employment of casuals are established in part by our labor agreements. In each calendar year, an individual may be hired as a casual employee for two 90-day appointments plus one 21-day Christmas appointment. To hire a casual for even one day uses one of those appointment periods. Once terminated, some of the casuals hired for the fall 1998 mailing season would have been ineligible for rehire until December. This would have been too late to assist in the late 1998 workload increase. We adjusted casuals' schedules to provide fewer hours when volumes were low.

d. Even for those casuals eligible to be re-appointed immediately, there is a period of time it takes to hire or rehire an individual. If we had terminated these employees and thereafter the additional mailing volumes appeared, the lag time between need and availability could have caused mail delays for the entire remaining fall mailing season and for the late 1998 surge.

e. Even though the anticipated fall volumes did not materialize, there was more mail in the system than at other times of the year. Those already on the rolls could be and were used productively to provide the promised levels of service.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS UNGER TO INTERROGATORIES OF ASSOCIATION OF POSTAL COMMERCE

In addition to casual employees, the number of career employees was increased slightly by advancing hiring authorizations. This small group of employees would not be terminated should the increased workload not appear. They were also utilized to provide a higher level of service than the 1997 season and to keep workloads moving through the system pending late 1998 workload surges.

Had the Postal Service not hired the additional resources or had it terminated them, I believed then, and do now, that service failures and delayed mail would have existed as they did in the 1997 mailing season. For all the reasons cited in this response, we retained the additional resources longer than we might have under different circumstances.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS UNGER TO INTERROGATORIES OF ASSOCIATION OF POSTAL COMMERCE

POSTCOM/USPS-ST43-4 Do you have a view as to whether commercial Standard A regular automation mail is presented on pallets more frequently than Commercial Standard A presort mail? If so what is it?

RESPONSE:

No, I have no view on this issue.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS UNGER TO INTERROGATORIES OF ASSOCIATION OF POSTAL COMMERCE

POSTCOM/USPS-ST43-5 In the text at lines 1-12 at page 15 of your testimony you describe the complexity of evaluating performance but make no ultimate evaluation. If you have evaluated performance in the Southeast Area, what is that evaluation?

RESPONSE:

The focus of my direct testimony is on the complexity of evaluating performance. However, I did provide the evaluation to which you refer. In response to your question, I reiterate the statements made in my direct testimony on page 13, at lines 14-20 and on page 15, at lines 6-8.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS UNGER TO INTERROGATORIES OF ASSOCIATION OF POSTAL COMMERCE

POSTCOM/USPS-ST43-6 Page 2 of your testimony says: "My testimony addresses three specific issues: (1) the trend in Periodicals since 1993; (2) the trend in flats mail costs in FY 1998; and (3) the trend in flats productivity from 1995 to 1999." LR-I-107 provides productivities for FY 1998 for MODS operations. Please provide three updates to LR-I-107, Yrscrub.xls, worksheet "table" using data from the following periods: (1) FY 1999; (2) FY 1999, AP13; and (3) FY 2000, YTD. Please also answer the following questions about how MODS reports data for FSM 881s with both OCR and BCR capability and about the Baltimore AFSM 100 trial.

(a) How are TPH, TPF, and workhours for an FSM 881 with both BCR and OCR capability reported in the updated tables?

(b) How are TPH, TPF, and workhours for an FSM 881 with both BCR and OCR capability reported in MODS?

(c) What MODS numbers can be used to record TPH, TPF, and workhours for FSM 881s with both BCR and OCR capability?

(d) Are TPH and TPF for barcoded flats that are processed on an FSM 881 with both BCR and OCR capability reported in different MODS numbers than are TPH and TPF for nonbarcoded flats that are processed on the same machine?

(e) Please provide TPH and TPF data for the AFSM 100 trial in Baltimore. In particular, please provide aggregate AFSM 100 TPH and TPF, AFSM 100 TPH and TPF just for barcoded flats, and AFSM 100 TPH and TPF just for nonbarcoded flats.

RESPONSE:

The requested updates to the LR-I-107 material will be provided by the Postal Service.

a). Redirected to the Postal Service.

b). These data are reported using MODS operation series 140 (for manual keying mode) or series 420 (for OCR mode, OCR-BCR mode, or BCR-OCR mode)

for FSM881's with both BCR and OCR capability. The specific operation codes associated with these two series are set forth in the following tables. The operation numbers to be used on an FSM881 when an operator is manually keying each mail flat piece are:

Operation Number	Description in MODS
140C	Composite for MPFSM
141	MPFSM-OUTGOING PRIMARY
142	MPFSM-OUTGOING SECONDARY
143	MPFSM-MANAGED MAIL
144	MPFSM-SCF
145	MPFSM-INCOMING PRIMARY
146	MPFSM-INCOMING SECONDARY
147	MPFSM-BOX SECTION
148	MPFSM-INCOMING NON-SCHEME

The operation numbers to be used on an FSMOCR, including FSM 881, when utilizing other than the manual (keying) mode are:

Operation Number	Description in MODS
420C	Composite FSMOCR
421	FSMOCR - Outgoing Primary
422	FSMOCR - Outgoing Secondary
423	FSMOCR - Managed Mail
424	FSMOCR - Incoming SCF
425	FSMOCR - Incoming Primary
426	FSMOCR - Incoming Secondary
427	FSMOCR - Box Mail

c). The MODS numbers listed in subpart (b) can be used. In addition, operations series 960 is available for BCR mode; specific operation numbers are indicated below. Currently, Headquarters instructions require that FSMs

processing mail which is all bar coded be run in BCR-OCR mode, using operations series 420.

Operation Number	Description in MODS
960C	Composite for the FMBCR
961	FMBCR-OUTGOING PRIMARY
962	FMBCR-OUTGOING SECONDARY
963	FMBCR-MANAGED MAIL
964	FMBCR-INCOMING SCF
965	FMBCR-INCOMING PRIMARY
966	FMBCR-INCOMING SECONDARY
967	FMBCR-BOX SECTION

d). The distinction is whether the flats are keyed manually. If so, the data are reported under operations series 140. If the flats are processed using OCR mode, OCR-BCR mode, or BCR-OCR mode, the data are reported under operation series 420.

e). I have been told that data are not available and that separate operation numbers for the AFSM100 were just recently established.

DECLARATION

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

D. R. Unger

Date: 5-5-00

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.

Susan M. Duchek

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260–1137
(202) 268–2990 Fax –5402
May 5, 2000

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS UNGER TO INTERROGATORIES OF ASSOCIATION OF POSTAL COMMERCE

POSTCOM/USPS-ST43-7 Page 2 of your testimony says: "My testimony addresses three specific issues: (1) the trend in Periodicals since 1993; (2) the trend in flats mail costs in FY 1998; and (3) the trend in flats productivity from 1995 to 1999." Please refer to Page 21 of the Strategic Improvement Guide for Flats Processing (USPS-LR-I-193), where it states, "The ideal scenario for each facility is to maximize automated flat processing and reduce keying operations to a minimum. The bottom line, however, is that each facility will need to evaluate FMOCR versus MPFSM processing for each processing operation, taking into consideration site-specific productivities, machine availability, and mailbase readability."

(a) Do you think that "mailbase readability" should be taken into consideration when determining which flats should be processed on the AFSM 100s? Please explain your answer fully.

(b) Do you think that "mailbase readability" will be taken into consideration when determining which flats to process on the AFSM 100s? Please explain your answer fully.

(c) If your answer to sub-part (b) above is affirmative, do you expect that a larger percentage of barcoded, machineable, non-carrier route flats than of non-barcoded, machineable, non-carrier route flats will be sorted on AFSM 100s in the Test Year? If so, how much larger? If you cannot provide an exact figure, please provide your best approximation.

(d) Would increasing the volume of barcoded, non-carrier route flats (as a percentage of all flats) improve the chance that the AFSM 100 deployment will succeed in reducing unit flats processing costs? Please explain your answer fully.

(e) In your experience, is keying productivity for an FSM 1000 similar to keying productivity for an FSM 881? If your answer is no, please explain your answer fully.

RESPONSE:

a). Yes, based on my understanding of the AFSM 100 capabilities, I expect these machines to be a more efficient than were previous flat sorting machines. As the AFSM 100's are deployed, I believe we should process mail pieces on

them that optimize our overall capabilities. The following two examples illustrate this concept.

First, I believe we should focus on large mailings entered at the destination plant, typically on pallets. These mailings are generally in good physical condition, thereby reducing the incidence of jams. In addition, the mail pieces will have been prepared with similar, if not identical, physical characteristics. This would include attributes such as size and address placement. One of the features of the AFSM 100 is its ability to focus on a mailing's address area once it determines that the mail pieces all have their addresses located in the same area. This is a software feature unique to the AFSM 100 that will benefit us when processing large mailings.

Second, I expect we will also consider mail readability to take advantage of the image lift capabilities of this new equipment. The image-generation capability of the AFSM 100 provides keyers with the ability to enlarge the image to better be able to read it.

b). Yes, we have done this on other equipment, and I believe that we will continue to use mail readability as a factor.

c). Yes, during the initial deployment of the AFSM 100's, the potential volume of suitable mail will be greater than the capacity of the machines to be deployed. We expect to prioritize mail for processing on available AFSM 100's to achieve the best overall results. We have found that bar coded mail generally meets our overall preparation guidelines and processes more efficiently than non bar-coded.

The AFSM 100 has a throughput that is several times greater than either the

FSM 881 or the FSM 1000. By placing the best mail available on the AFSM 100, we will maximize throughput and minimize downtime, including downtime that might result from jams that occur when inferior quality mail is presented. The consequence of a jam on a 5,000 piece per hour machine is obviously not as great as that of a jam on a 15,000 piece per hour machine.

I have no idea the relative percentages of each type of mail we will process on AFSM 100's.

d). Yes, assuming that the increased percentage does not come from carrier route mail. Increasing the volume of bar coded mail is a major part of our strategy for flats, as it was with letters. Flat mailers receive discounts to encourage them to provide bar coded mail.

e). For mail with similar physical characteristics, the key productivity for an FSM 1000 is not similar to that of an FSM 881. There are design differences between the two machines to accommodate mail with differing characteristics, such as those characteristics addressed in my direct testimony on page 3, at lines 1 - 24.

The FSM 1000 is designed to handle mail pieces that are bigger and bulkier than those handled by the FSM 881. Accommodating such mail pieces requires the machine to run slower, thereby reducing keying productivity.

DECLARATION

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

D. R. Unger

Date: 5-8-00

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.

Susan M. Duchek

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260–1137
(202) 268–2990 Fax –5402
May 8, 2000

CHAIRMAN GLEIMAN: Anyone else?

[No response.]

CHAIRMAN GLEIMAN: If not, that brings us to oral cross examination. Five parties have requested oral cross examination: The Association for Postal Commerce is waiving oral cross, and if I scribbled down the new batting order correctly, we're going to hear from McGraw Hill Companies first; followed by Dow Jones; then the Alliance of Nonprofit Mailers; and finally, the Coalition for Religious Press Associations.

Is there anyone else who wishes to cross examine this witness today?

[No response.]

CHAIRMAN GLEIMAN: If not, then you're our lead-off hitter today. In deference to Mr. Denton being present, I'm going to use baseball analogies all day today.

[Laughter.]

CHAIRMAN GLEIMAN: I gave a speech last week at MailCom, and one of the things I mentioned in the speech -- and since there are four of you, I'll mention it again; that sometimes it's better to hit four singles rather than go for home runs. If I understand baseball correctly, and I'm not sure I do, four singles is usually as good as at least one home run, and when you're finished, the bases are still loaded and you're still up at bat.

So with that in mind, fire away, Mr. Bergin.

MR. BERGIN: Thank you, Mr. Chairman. I don't think I'm swinging for the fences this morning.

CROSS EXAMINATION

BY MR. BERGIN:

Q Good morning, Mr. Unger.

A Good morning.

Q My name is Tim Bergin, and I represent the McGraw Hill Companies.

I'd like to refer you to the answer of Witness O'Tormey to ANM Interrogatory 7, if you have that.

[Pause.]

I'm interested in Attachment 1 thereto.

[Pause.]

A I'm not sure. Is this the one that deals with the next generation FSMs?

Q Yes, I believe we're on the same page. Are you familiar with that document?

A I haven't found it yet.

MR. BERGIN: Mr. Chairman, I'd be happy to supply the witness with a copy of the interrogatory answer.

CHAIRMAN GLEIMAN: Please do.

THE WITNESS: And which was the Attachment you wanted me to look at?

BY MR. BERGIN:

Q For the moment, Attachment 1, that would be page 1 of 5.

A Okay.

Q It's entitled Next Generation Flat Sorting Machines. Are you familiar with that document, or do you need to glance it over?

A I'd like to glance it over.

Q Sure.

A Yes.

Q Now is it correct that this is a document that was presented to the Postal Service Board of Governors in June of 1998 in support of purchase and deployment of 175 Flat Sorting Machines known as AFSM-100s?

A I would assume that.

Q If you look down to I believe it is the fifth paragraph under the heading "Benefits" there is a statement that the AFSM-100 has the potential both to reduce mail processing costs and to, quote, "meet service goals". Based on your experience, do you agree with that statement?

A I have no experience with the 100s yet. We are just getting one now, in the Southeast area.

I have seen the prototype and from what I have seen and the information I have got on the prototypes and the first few machines I would agree with it.

Q That it has the potential both to reduce mail

processing costs and enhance the Postal Service ability to meet its service commitments?

A I would agree with that.

Q And if you will look at the next page of the attachments to this interrogatory, which is entitled "Report on FSM-1000 Bar Code Readers" -- if you want to quickly glance that over.

A Okay.

Q Now this appears to be a document presented to the Postal Service Board of Governors in December 1997 in support of the purchase and installation of bar code read systems for the existing flat sorting machines, the FSM-1000s, and again referring you again to the fourth paragraph, there is a statement there that additional automated processing capability for flats would result not only in reduced mail processing costs but again in, quote, "improved services" and again my question to you is based upon your experience would you agree with that statement?

A Yes, I would.

MR. BERGIN: I would like to present the witness with a cross examination exhibit, if I may.

COMMISSIONER LeBLANC: Please. Do you have copies for counsel and on the bench?

MR. BERGIN: I do, Chairman -- Commissioner LeBlanc.

COMMISSIONER LeBLANC: Thank you. I have been called worse.

[Laughter.]

[MH/USPS-ST43-XE-1 was marked for identification.]

CHAIRMAN GLEIMAN: I have handed you what has been marked as McGraw Hill/USPS-ST43-XE-1, which is entitled, "Periodical Improvement" and was prepared by the quality team at the Jacksonville Processing and Distribution Center, North Florida district.

BY MR. BERGIN:

Q Are you familiar with this document?

A I have seen it, yes.

Q And was this prepared by Postal Service personnel working under your supervision?

A Not under my direct supervision, but in my area, yes.

Q In your area. On the third page in, which is actually numbered page 77 on the document, at the top there is a statement that the quality team was chartered in March 1999 to improve service performance of periodicals publications using the seven-step problem-solving methodology.

Are you familiar with that methodology?

A Yes, I am.

Q And can you tell me what a quality team is?

A A quality team is usually a cross-combination of operational people and quality experts that deal with process management, that go after a particular problem and use the process steps to improve the situation.

Q Has this process management approach been approved by the Postmaster General, to your knowledge?

A As far as I know it has, yes.

Q And can you tell us your understanding of the steps involved in this approach?

A Generally.

Q Sure.

A You identify a problem and the root cause of that problem and you identify the systems that go into the problem, systems to fix it, checks to make sure the systems continue to work and then follow-up to make it a closed loop, prevent errors -- to prevent errors and to assure that the mistakes don't continue to happen, and you get down to hopefully 99 percent efficiency, 99.9.

Q And I take it there is a cost benefit analysis involved?

A Usually.

Q And the aim is to arrive at cost effective remedies?

A The aim to eliminate waste and rehandling and

redundancy, which is costly, basically to do the procedure right the first time and not have redundant work, eliminate waste.

Q Referring you back to the cross examination exhibit, I think the third paragraph down on the page, it states that, "The quality team determined" -- and I am quoting -- "that if they were able to eliminate the mislabeled, missorted mail" --

A Excuse me, what page are you on?

Q This is the same page, the third one in --

A Okay.

Q It is numbered 77. I am on the third paragraph and I was quoting from the report that "The quality team determined that if they were able to eliminate mislabeled, missorted mail, the Postal Service would be able to see a cost avoidance of $245,000 per year in manpower savings. The team also felt that with the recommended changes there would be significant improvement in customer satisfaction."

My question to you is is this one example where use of the process management approach resulted in improved periodicals service in your area consistent with cost avoidance?

A Yes, it did.

Q And do you believe based upon your experience that the process management approach has the potential to improve

service in other ways, without necessarily increasing costs to the Postal Service?

A When you say "in other ways" do you mean on other functions?

Q Speaking generally, I think other functions would be part of it.

A It is pretty universal in its application. Yes, I believe it could be used in other ways to increase efficiencies and reduce cost.

Q And to improve service at the same time?

A Yes.

Q And is the Postal Service promoting use of the process management approach for that purpose?

A It is with periodicals and other areas also.

Q Thank you.

Mr. Unger, in your testimony, I am referring to pages 9 and 10, you refer to page 9, lines 2 and 3, to certain factors that reduce the likelihood that a periodicals mailing will be processed on lower cost automated machinery, even if the periodicals mail is machineable and pre-bar coded and non-carrier route, is that correct?

A That's correct.

Q And on page 10 of your testimony, at lines 15 to 20, you state, and I quote, "My analysis above if based on

the current limited availability of automated flat sortation equipment. As the AFSM 100 is deployed, there should be more opportunity for flat mail of all classes to be processed on automation with corresponding cost benefits." Have I read that correctly?

A You have.

Q Is it a fair conclusion from your testimony in this regard that, as the AFSM 100s are deployed, and the shortage, the current shortage in flat sorting machinery is reduced, that there will be greater opportunities for processing more machineable periodicals mail in automated processing?

A There should be more automated mail work done on flat sorting machinery with the 100s because of their capacity and their speed.

Q And this, of course, would reduce costs?

A It will reduce costs.

Q So, for example, smaller volume mailings of periodicals which today might be handled manually because of the shortage in flat sorting equipment, could, after the deployment of the AFSM 100s, be processed on the machines rather than manually.

A They could, not necessarily on the 100s. That mail could go to an 881 or a 1000.

Q Understood. And if I understand your testimony

correctly, and I am referring specifically to page 8, lines 5 to 8, --

A Line what, please?

Q Page 8, lines 5 through 8.

A Okay.

Q That it is particularly important, once the new machines come on line, that is the AFSM 100s, to make maximum utilization of those machines?

A Absolutely.

Q And, of course, they have a much greater throughput than the existing FSM 881s or 1000s?

A About three or four times.

Q Is it a fair statement that once the AFSM 100s come on line and they relieve the current burden on the FSM 1000s, that more polywrap mail, which is today handled manually, could be handled on the FSM 1000s?

A Could you repeat that question, please?

Q Sure. Is it a fair statement, based upon your experience, that once the FSM -- excuse me, the AFSM 100s come on line and they relieve the current shortage in flat sorting capacity, and relieve the current burden on the FSM 1000s, that there would be more capacity available on the FSM 1000s to handle polywrap mail which is now handled manually?

A I think that would be a good assumption.

MR. BERGIN: Thank you, Mr. Unger.

Mr. Chairman, I have nothing further except to move for admission into the record of what I have marked as McGraw Hill Cross-Examination Exhibit 1 for Witness Unger.

CHAIRMAN GLEIMAN: Do you want it transcribed into the record, or do you want it and/or entered as evidence in the record?

MR. BERGIN: Entered as evidence in the record.

CHAIRMAN GLEIMAN: I will direct that the cross-examination --

MS. DUCHEK: Mr. Chairman, I think it should just be transcribed. I mean this witness says he is familiar with it, but he certainly didn't prepare it.

MR. BERGIN: I would point out, Mr. Chairman, that it is a Postal Service document.

CHAIRMAN GLEIMAN: Yes. I can't understand why, if it is a Postal Service document, it shouldn't be entered into evidence. If the Postal Service wants to offer some rebuttal at some point to something in this document that was the subject of cross-examination, they are certainly at liberty to do so. So I am going to direct that it be transcribed into the record and entered as evidence.

[Cross-Examination Exhibit No. MH/USPS-ST-43-XE-1 was received into evidence and transcribed into

the record.]

North Florida District

MH/USPS-ST43/XE 1

Periodical Improvement

"Out-2-C" Quality Team

Jacksonville P&DC

"Out-2-C" Team Information

- CHARTER: MARCH 1999
  - Sponsor: Howard Shumate, Mgr. P&DC
  - Team Leader: Michelle Kollar
  - Team Members: Pat McIntyre
    Richard Pasek
  - Facilitator: Leslie Rosenfeld

- North Florida District, Jacksonville FL
  - Jacksonville GMC*
  - Tradeport*
  - International Annex*
  - Bulk Mail Center
  - Air Mail Facility

  * Periodical primary and secondary sortations occur in 3 different facilities.

- MISSION:

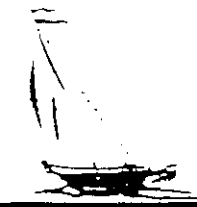
  IMPROVE SERVICE PERFORMANCE OF PERIODICAL PUBLICATIONS

- "OUT-2-C" VISION:

  Identify & gain control of the external & internal processes that affect processing & delivery of News & Periodicals

Jacksonville P&DC

"Out-2-C" Executive Summary



□The "Out-2-C" team was chartered in March 1999 to improve service performance of periodical publications (Charter-appendix) using the seven step problem-solving methodology. This involved identifying and gaining control of the external and internal processes that effect processing and delivery of news and periodicals (Step 1). Early on in their analysis they discovered four areas of concern, broken down into three phases listed below. Utilizing a priority matrix they decided to focus on mail make-up and labeling. A significant number of mailers and postal facilities were either using the wrong labels or were sorting 2C according to pre-RECLASS regulations (Phase 1)(Step 2).

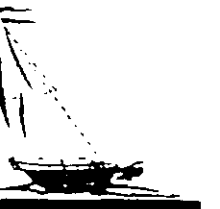
□ In July 1996, when RECLASS went into effect, the Postal Service added two new RECLASS distribution sites to the Florida clusters, ADC-Mid Fla and ADC-Manasota to the existing sites in Jacksonville and Miami. The team found that 40% of all 2C mail sent to ADC Jax 320, was not for that service area (Step 3).

□The team determined that if they were able to eliminate the mislabeled/sorted mail (Step 4), the Postal Service would be able to see a cost avoidance of $245,000 per year in manpower savings (Step 5). The team also felt that with the recommended changes there would be significant improvement in customer satisfaction. There had been numerous complaints from postal customers receiving their periodical ma late.

□The team sent their findings to the Business Service Network (BSN) and Southeast Area on April 5, 1999 and is waiting until September 13, 1999 to retest and measure the results (Step 6). In the interim, the team is continuing to review other phases 2-3 for improving 2C mail (Step 7).

Phase 1- Mail Make-up and Labeling (Current QI Story)
Phase 2- Mail Flow to International Annex
Internal Processing of 2C
Phase 3- Transportation Survey
BMC (Bulk Mail Center) processing 2C

Jacksonville P&DC



Reason for Improvement

Indicators reflecting need for improvement and team existence: OH/Delayed Volume, Customer Complaints

- ***Our Stakeholders expect timely delivery of 2C publications based on service standards.***
- *This expectation meets all RUMBA requirements*

  Reasonable Understandable Measurable Believable Achievable

Customer	Requirement	R	U	M	B	A	Valid?
Next Process Stations, Associate Offices	TIMELY DELIVERY	Y	Y	Y	Y	Y	Y
Internal : GMC Tradeport	BASED ON SERVICE	Y	Y	Y	Y	Y	Y
External Customers	STANDARDS	Y	Y	Y	Y	Y	Y

- *EXPECTED RESULTS:*
  - *Decrease Workhours and Associated Costs*
  - *Increase Customer Satisfaction through reducing delayed mail and misdirected publications*
  - *Increase employee effectiveness through awareness and ownership of work processes.*

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Current Situation

Flowcharts of Periodical Mail flow

Process Flow Charts Macro and Micro were completed:

USPS Process Management System

Process Description	Process Customer(s):	Customer Valid Requirement(s):	Results Indicator(s):
320/322 PERIODICAL FLOWS	INTERNATIONAL ANNEX	MAIL MAKEUP FROM MAILERS AND PLANTS TO CORRECT ADC	REDUCTION OF CUSTOMER COMPU

Position

Process Flowchart

DOCK MAILHANDLER PROCESSING/ CLERKS

Step/Time

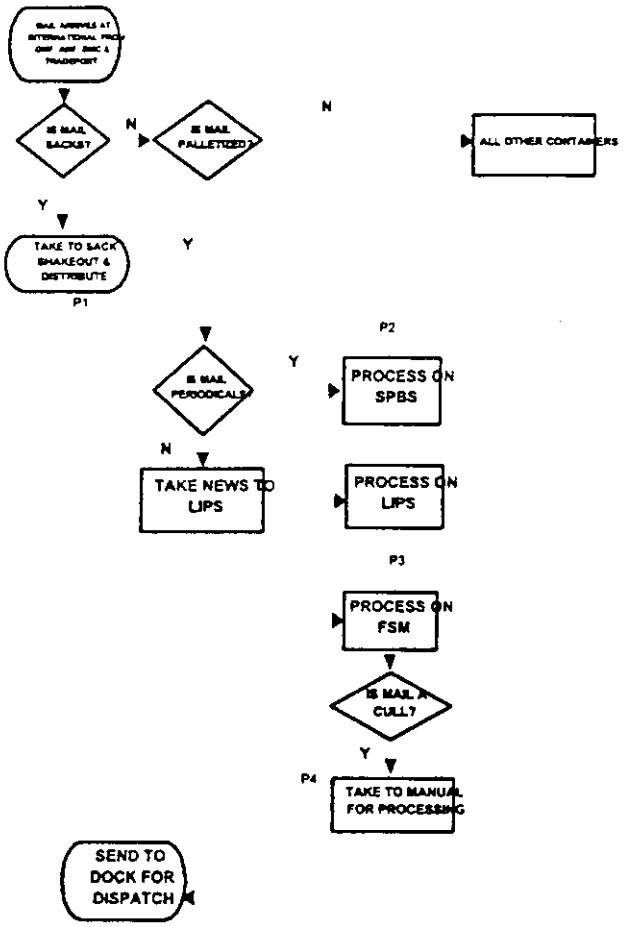
RECEIVE

SEPARATE

SACK SHAKEOUT

SORT SPBS SLIPS FSM MANUAL

DISPATCH



Process and/or Result Indicators		Checking				Misc. Info
Process Control / Outcome / Results	Control Lmts / Special Targets	Checking Items / What to check	Frequency / When to Check	Responsible / Who Check	Contingency / Action Req. for Exception	Include: - Abbreviati - Procedure - Remarks
P1 SACK SHAKE OUT	15-20 OTR'S	# OF CONTAINERS	DAILY	SDO		
P2 VOL ON SPBS	50 PALLETS 28 Other Containers	# OF CONTAINERS	DAILY	SDO		
P3 VOL ON FSM	700' NEWS OR PERS	VOL IN FOOTAGE	DAILY	SDO		
P4 VOL IN MANUAL	50'	VOL IN FOOTAGE	DAILY	SDO		

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Current Situation

Data Collection and Indicators

Data was collected in tasked areas, as well as those identified by the team through observation and data collection:

- *Flow charts of mail flow at GMC and International Annex*
- *Process Indicator: Checksheet tracking of Sack OTR's received and worked daily, as well as turnover.*
- *DMCR OH/Delay Daily Tracking: On Hand Volume of 2C is cyclical, we "catch up" about every 3 weeks and are inundated again!*

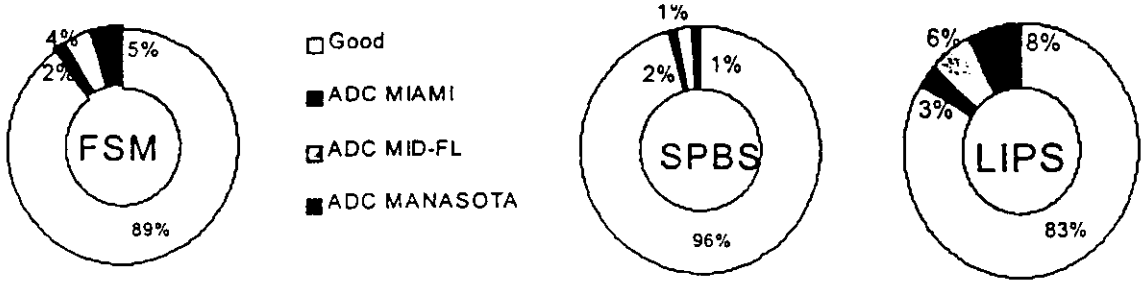
	Avg. Daily Volume	Avg. Daily OH Volume
OTRs	18	39
Wire Cage	3	7
Hampers	1	2

- *Baseline productivity calculated based on workhours used on periodical operations for 1 month.*
  - *FSM (Flat Sorter Machine):* *OPN 442 PER: 621*; *OPN 442 NEWS: 492*
  - *LIPS (Linear Integrated Parcel Sorter):* *481*
  - *SPBS (Small Parcel Bundle Sorter):* *466*
- *Results Indicator: % of mail that falls into other ADC or states*
- *Process Indicator: EOR: Total pieces worked, total not JAX ADC - FSM, LIPS, SPBS*
- *Analysis of daily volume received that is not part of ADC Jax:*

(FSM) 10.13%
Mixed -flows from LIPS and SPBS

(SPBS) 4.56%
Periodical / Pallets

(LIPS) 16.38 %
Newspapers (primarily from sack volume)



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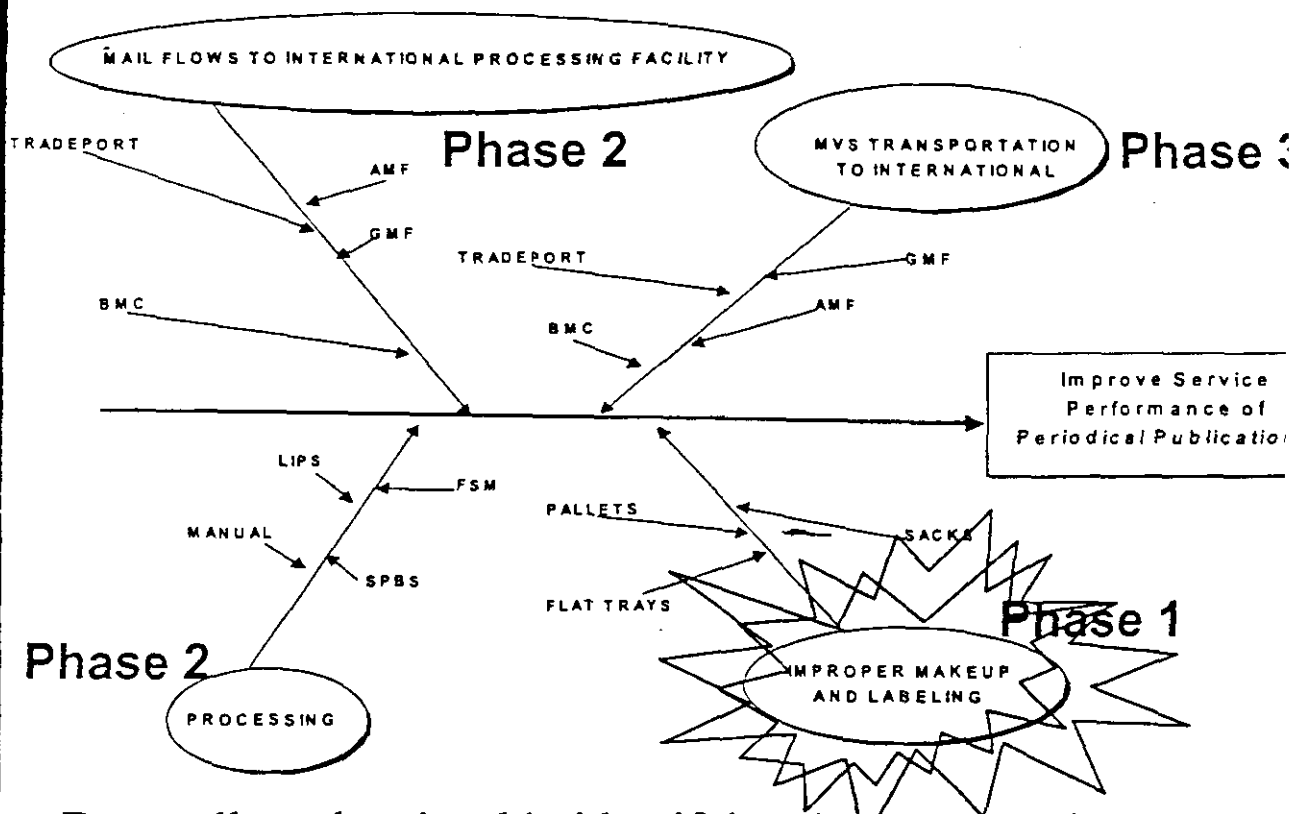
Current Situation:

Prioritization of Work Processes Identified

Utilizing employee input, observations documented during flowchart generation, brainstorming and multivoting; "Out-2-C" stratified areas of greatest opportunity which are displayed in what we affectionately call our "dog-bone" diagram.



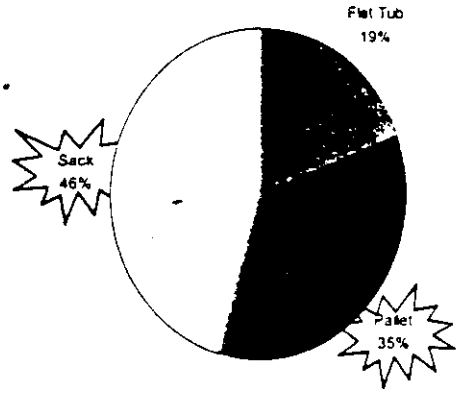
Data collected assisted in identifying the Top-Priority Process

Customer	Work Process	Impact of Customer	Need to Improve	Overall Rating	Team Priority Multivote
External and Internal Customers	Mail Flow from local processing facilities to annex	5	5	25	2
External and Internal Customers	Annex Internal Processing	5	5	25	3
External and Internal Customers	Transportation	5	5	25	4
External and Internal Customers	Improper makeup by Mailers/ USPS Plants	5	5	25	1

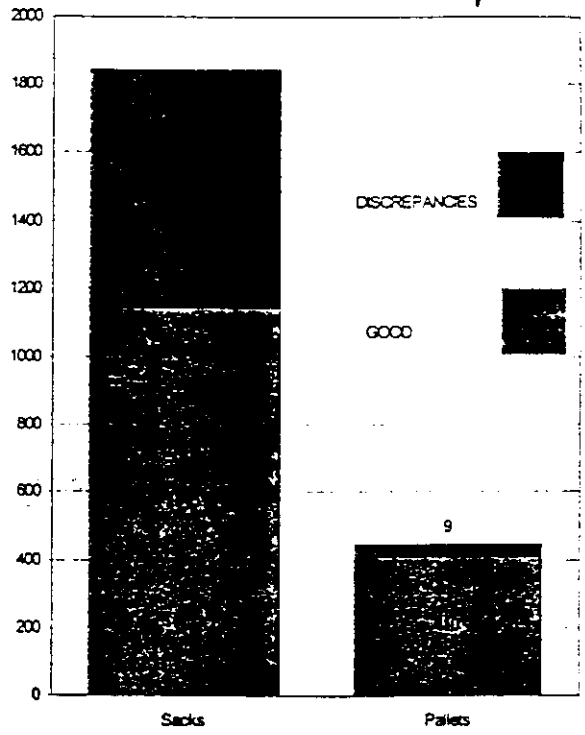
Current Situation

Sack and Pallet Make-up Surveys

Phase 1 *After stratifying focus to Improper labeling and makeup...*



- *% of flats tubs, pallets, and sacks were calculated with conversion rates to narrow down focus of mailer makeup to area of greatest opportunity.*
- *65 Pallets/day*
  - *Conversion: 145 bundles/pallet*
  - *18 OTR of Sacks/day, 78 sacks per OTR,*
    - *Conversion: 9 pcs/sack*
  - *110 flats tubs/ day*
    - *Conversion: 47 pcs/tub*
- *Representing 81% of the volume, Sacks and Pallets were selected to survey.*
  - *This barchart displays the results of our survey on sacks and pallets conducted the week of 3/8/99:*
    - *419 pallets were sampled, 9 discrepancies, showing a 2 % error rate.*
    - *1843 sacks were sampled, 698 discrepancies showing a 38% error rate*



■*Problem Statement:*

40% OF MAIL SENT TO ADC JAX 320 CONTAINS MAIL OUTSIDE OF OUR SERVICE AREA.*

*Mailers/Postal Facilities sorting 2C according to pre-RECLASS regulations

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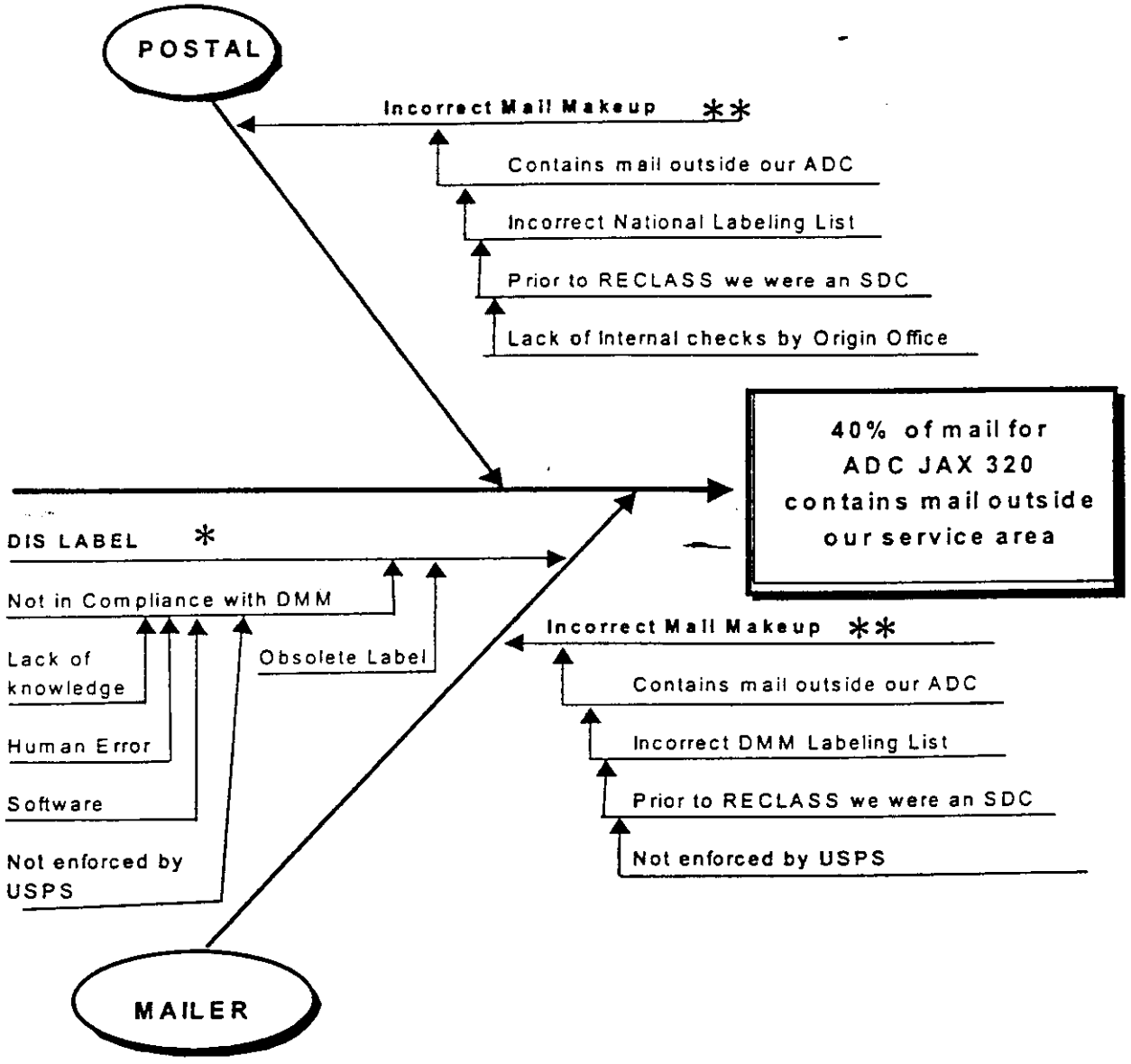
Analysis

A fishbone cause and effect diagram helped determine what contributed to and/or caused the 40% of our missent Periodical mail.



*DIS: Obsolete Label with incorrect contents

**Make-up: Correct Label with incorrect contents

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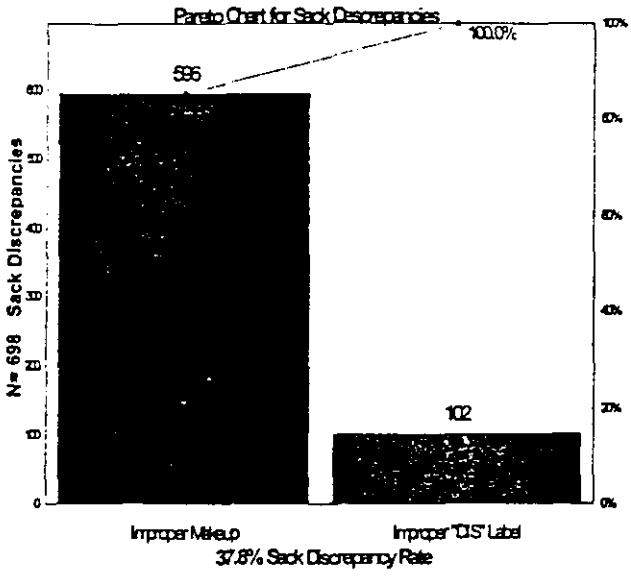
Analysis

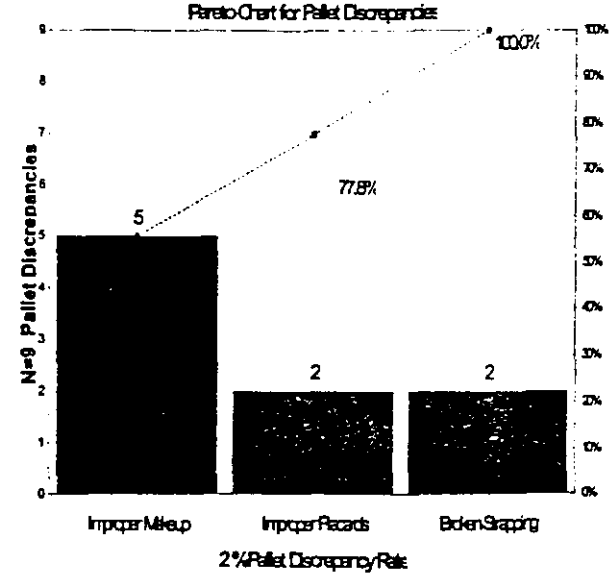
Sack make-up and labeling was determined to be the greatest contributor to missent mail.**

Data collection identified:

- ***34 Postal Facilities and 387 Mailers comprised the errors.***
- ***76 of the 698 sack errors from Postal facilities were make-up errors. 10.8%*** *(no "DIS" labeling errors)*
- ***All 102 "DIS" labeling errors originated at a Mailer.*** *(obsolete label since RECLASS 7/96)*

Lack of internal checks at postal facilities and feedback to mailers by USPS appears to be the root cause for this continued missent mail volume.





** Make-up error definition: Mail labeled ADC JAX 320 containing zips other than FL 320-324, 326, 344, UNZ SC 299, GA 304, 313-315, VI 008

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Analysis

Barriers and Aids

- Florida went from two to four 2C distribution centers during RECLASS of 7/96. Mailers using obsolete "DIS" labels. Mailers and USPS using correct ADC JAX 320, but with incorrect make-up.

- Internal Checks: We cannot control other plants but we can ensure we have all our distribution and labeling correct. An internal review was conducted in April 1999, for all local 2C distribution. We found all local areas to be in compliance with National Distribution Labeling list.

- "Out-2-C" contacted all nine mailers of pallet discrepancies found. Human error was found to be the cause of mailers makeup errors. Direct contact with the mailers provided us immediate feedback for correction.

■ *BARRIERS*

- ***Time must lapse before testing again to allow mailers to change***
- ***Don't have total control***
- ***SOP requires BSN to handle mailer errors***
- **Lack of feedback from BSN*
- ***SOP requires SE Area to contact Postal facilities***
- **Lack of feedback from SE Area*

■ *AIDS*

- ***Survey gives tangible results***
- ***Can identify offenders***
- ***Support of Leadership***
- ***Process indicators established will assist in tracking successful reduction of missent mails***

***Our biggest obstacles to overcome in order to improve our mail makeup**

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Countermeasures

40% OF MAIL SENT TO ADC JAX 320 IS MAIL OUTSIDE OF OUR SERVICE AREA:

Root Cause	Counter-measures	Specific Action	Effective	Feasible	Score	Action Y/N
Make-up and Labeling	Notify Offender	Mailer List to BSN	3	5	15	Y
		Postal List to SE Area	3	5	15	Y
Make-up and Labeling	Notify Customer of Delay	Our Own Local Letter Sticker on piece "sent to Jax in error, contact Publisher for details"	3	4	12	P*
			3	3	9	P*

- Top 2 actions were completed and results forwarded to BSN and SE Area on 4/5/99.
- "Out-2-C" has scheduled retest for September 13th, 1999 to measure results of notification to Mailers and Postal Facilities for corrective action.
- *Local letters will be generated for any of the same publishers, mailers, and postal facilities found in the 2nd survey.
- In the interim, the team is completing a cost analysis of the remaining specific actions.*

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Results:

Cost Avoidance

BASED ON THE ELIMINATION OF THE MAKEUP AND LABELING ERRORS, OUR SURVEY RESULTS INDICATE A PROJECTED COST AVOIDANCE THROUGH THE REDUCTION OF HANDLING MISSENT MAIL. *Calculations based on receiving 1357 sacks a day.*

■*Mailhandler Cost Analysis:*

543	*sacks a day containing volume outside of our ADC*
10.2	*additional mailhandler hours per day dumping sacks*
$26.06	*average hourly mailhandler rate with benefits*
$265.81	*per day just for dumping does not include clerk hours*

$97,000 annual savings

■*Clerk Cost Analysis:*

Additional mechanized hours to process 40% volume of 2C outside of our ADC

8.4	*FSM additional clerk hours*
5.3	*SPBS additional clerk hours*
1.1	*LIPS additional clerk hour*
14.8	*additional clerk hours per day*
$27.42	*average hourly clerk rate*
$405.82	*per day*

$148,000 annual savings

Projected annual savings of* *$245,000*** *in work hours.*

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Phase 1 *Standardization*

Results are incomplete until retest to measure improvement in make-up. In the meantime, "Out-2-C" plans…

- ***...to establish a methodology to Track Customer Satisfaction:***
  - *Customer Complaints as possible indicator. Have been unable to get information from BSN* — *Contact BSN and SEA NLT 7/16/99*
  - *Follow up on survey results from BSN - What has been done?*
- ***Track Mailhandler overtime hours in 110 operation to validate cost avoidance.*** — *Start 6/23/99*

Future Plans

- ***Review remaining 19% of volume from Flats Tubs to identify make-up discrepancies.*** — *Start 6/22/99 Complete 9/3/99*
- ***Retest week of 9/13/99.***
- ***Local letters to mailers repeating from first survey***
- ***Cost Analysis for customer notification labels.***

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Future Plans for "Out-2-C"

Phase 2

- Mail flow to International Annex:
  - Current Situation: Start 4/26/99
  - Analysis and countermeasure complete: 6/14/99
  - Countermeasures, Checklist and SOP target: 7/16/99
- Internal Processing at International Annex:
  - Current Situation: Start 4/26/99
  - Countermeasures and SOP target: 8/20/99
- Revisit collections on South and West Dock to eliminate minute amount of First Class and Priority still arriving at International. Completed 6/24/99
  - SOP revisions for Stations and ~~AO~~'s: 8/20/99

Phase 3

- Transportation Survey: Scheduled vs. Actual
- Review of 2C processing at BMC: Can Direct Sacks of Florida and States 2C be dispatched from there?
  - Current Situation: Start 6/23/99
  - Countermeasures and SOP target: 8/20/99

Other Tasks:
Team Findings, Causes, Action

CORRECTIVE ACTIONS MATRIX

Phase 2

Area of Concern (From Collected Data)	Corrective Actions (To make process stable/capable)	Feasibility	Specific Actions	Effectiveness	Overall	Action (Y/N)
2C mail generated at the GMF on SRs 1, 8, 11, 13, 14 & 17 were sporadically being dispatched to Tradeport instead of International Annex causing a delay in receipt of 2C at International.	Update GMF placards indicating International Annex instead of Tradeport facility	5	Computer generated pink placards were created and implemented on all appropriate 2C slides. A service talk was given advising supervisors and employees of the changes.	5	25	Y
Hampers of 2C mail arriving at International Annex from GMF South and West dock carrier sections, commingled with other classes of mail.	Inform mailhandlers of the importance of the separation for all classes of mail.	5	Computer generated pink placards were created and implemented at the south and west dock carrier sections. A service talk was given advising supervisors and employees of the changes.	5	25	Y
International Annex receiving OTR's with commingled classes of flat trays (FCM/2C/Standard) from GMF SR-14.	Change SR-14 layout to accommodate an OTR for each mail class.	5	A separate OTR for each mail class was provided with applicable computer generated placards. A service talk was given advising supervisors and employees of the changes.	5	25	Y
Standard pallets arriving at the International annex in error.	Insure the mail flows to the correct facility for processing.	5	A service talk was given to employees and supervisors of the correct flows for all mail.	5	25	Y
Amount of 3 digit working bundles flowing to FSM for processing.	Implement procedures at LIPS and SPBS to reduce working volume flowing to FSM.	5	Operators on LIPS and SPBS were instructed to break open and process 3 digit individually wrapped working bundles. This reduced volume flowing to FSM, eliminated an extra handling.	5	25	Y
No tracking/logging of identified 2C mail at International Annex.	Implement Periodical Tracking procedures	5	The Periodical tracking program used at the GMF was started at the International Annex. All TMEs were trained on the procedures for tracking identified periodicals to assist with customer inquiries.	5	25	Y
Low volume NEWS holdouts were not being dispatched daily from the LIPS machine.	Insure all mail is dispatched daily.	5	The cardboard boxes used for dispatching had upside down flat tubs inserted into the bottom with a layer of cardboard layed over top. Flat tubs correct side up were placed in next and mail is dispatched in these. Tour 3 insures mail is dispatched daily.	5	25	Y

Feasibility: 1-low, 5-high
1-Expensive & Difficult to implement
5-Inexpensive and easy to implement

Effectiveness: 1-low, 5-high
1-Not very effective
5-Very Effective

CHARTER

Periodical Performance Process Improvement Team
"Out-2-C"
March 1999

Business Objective:

VOB: Reduction in work hours and associated costs.
VOC: Improved Customer Satisfaction through reducing delayed mail and misdirected publications.
VOE: Increase employee effectiveness through awareness and ownership of work processes.

Purpose Statement: **To improve service performance of periodical publications. Identify and gain control of the external and internal processes that effect processing and delivery of News and Periodicals.**

Task:

Phase 1

Survey makeup of mail received for deficiencies in labeling and makeup not in accordance to postal regulations.

Start Date: 3/8/99 Finish Date: 9/3/99

Phase 2

1. Document mailflow at GMC, Int'l Annex: flowchart, productivity, volumes, baseline.
2. Review publications handling according to internal Standard Operating Procedures.

Start Date: 4/26/99 Finish Date: 8/27/99

Phase 3

1. Transportation review.
2. Review BMC processing

Start Date: 6/22/99 Finish Date: 8/20/99

Results/ Expectations:

1. Submit a final report of recommendations to improve procedures and reduce work hours. The report should include relevant data to support the recommendations and findings.
2. Develop indicators and establish tracking that will baseline and measure success over an extended period of time.
3. Advise operational managers on implementing strategies identified.
4. Standard Operating Procedures to maintain a stable process that can be replicated throughout the North Florida District.
5. Apply 7 step methodology and document in QI Story standard format.

Current Situation: Periodical primary and secondary sortations occur in 3 different facilities with logistics a potential problem. Customer complaints regarding timely and consistent delivery, daily *on-hand* (OH) and delayed volume reflect a need for improvement. Multiple issues of daily periodical delivered on the same day indicate inconsistent drops from mailers and/or pull-downs of operations. 2C Operations complain of receipt of publications not for our Local ADC. The International Annex was created to process 2C News and Periodicals and comments that an internal flow problem from other local plants occurs in both mail classes received and inconsistent transportation.

CHARTER

Periodical Performance Process Improvement Team
"Out-2-C"
March 1999

Boundaries: The Team will review all processing facilities affecting publication processing in Jacksonville FL, meeting daily (4 days/wk) at International Annex.

Level of Authority: The team members must operate within their normal scope of authority. The team is to submit their recommendations to the team sponsors for review and approval. Out 2C is authorized to make operational changes as necessary to corrected deficiencies.

Team Membership:

Team Sponsors:	Howard Shumate, Manager, P&DC
Team Leader:	Michelle Kollar
Team Members:	Pat McIntyre Richard Pasek
Facilitator:	Leslie Rosenfeld

Reporting Procedures: The team leader will provide status reports to the team Sponsor. The team will meet with Sponsors after completion of current situation analysis, root cause and countermeasure proposals. All presentations will be oral with written documentation in the process management format.

Documentation: All data collected will be documented for reference. An outline of recommendations for improvement will be included in written documentation. The team will use charts, graphs and other media to support the team's conclusions. The team will make an oral presentation to the leadership team with written documentation in the 7 Step QI Story format at the end of the project. Progress to date will be submitted to the SE Area in QI Story format upon request.

Training: All team members have received Process Management / QI Story Training prior to the start of the project. The team facilitator at team meetings will provide ongoing QI Story training.

Resource Support: The team sponsors will provide necessary resources requested by the team.

Start/Finish Dates: The team will start in March 1999 and will report their findings in August 1999.

Reviews/ Milestones:

The team will:

1. Submit their flowcharts and supporting data of current situation for first areas identified for improvement with recommended solutions to the sponsors on June 15, 1999.
2. Submit supporting data of current situation for subsequent areas identified for improvement with recommended solutions to the sponsors on July 12, 1999
3. Brief the sponsors on results to date, 2-3 weeks after implementation of each countermeasure.
4. Standard Operation Procedures and action plans to maintain a stable process will be completed by August 27, 1999.
5. SOP is subject to change based on number of countermeasures to implement.

Closeout: It is important for the team to document lessons learned for the benefit of future teams. This document will be provided to the Sponsor.

Results should include a plan to implement the solutions and sustain the changes over time. The team may be asked to present their finding to other groups within the Postal Service.

MR. BERGIN: Thank you, Mr. Chairman.

COMMISSIONER LeBLANC: Mr. Bergin, can I interrupt just a moment? While it is fresh in my mind, if you don't mind.

Mr. Unger, you made a comment just a minute ago to Mr. Bergin about being 99.9 percent effective when you were talking about process management and quality management. What were you referring to in that statement, about being 99.9 percent effective?

THE WITNESS: The ultimate goal, using process management, is to eliminate all errors.

COMMISSIONER LeBLANC: And is that relayed back to headquarters on the operational side?

THE WITNESS: No, that really relates to the theory of process management itself.

COMMISSIONER LeBLANC: So that stays within the operational field, if you will?

THE WITNESS: No. No. Commissioner LeBlanc, it can be applied to any field, human resources, finance, any company, any manufacturing firm.

COMMISSIONER LeBLANC: I know.

THE WITNESS: It is a general statement, a general theory with process management.

COMMISSIONER LeBLANC: Okay. So it is a theoretical approach, in effect?

THE WITNESS: A theoretical approach using a lot of scientific data.

COMMISSIONER LeBLANC: Thank you.

Sorry, counsel.

MR. BERGIN: I have nothing further.

CHAIRMAN GLEIMAN: Dow Jones.

MR. McBRIDE: Thank you, Mr. Chairman.

CROSS-EXAMINATION

BY MR. McBRIDE:

Q Good morning, Mr. Unger.

A Good morning.

Q My name is Michael McBride, I represent Dow Jones & Company, and I am asking questions on behalf of the Periodicals Mailers Coalition. Would you please turn, sir, to page 6 of your testimony? And I would like to focus on lines 12 to 20. You refer there to a major national daily newspaper. Would you please identify that newspaper?

A That would be the Wall Street Journal.

Q Okay. Now, you testified that you have been with the Postal Service for 28 years, is that correct?

A I have close to 29.

Q All right, sir.

A Which is really irrelevant these days.

Q I would like to ask you about the deliveries of the Wall Street Journal 10 years ago, within your

experience, in a fashion similar to what you testified here on page 6. If I could ask you to imagine what the situation was like 10 years ago, and you were testifying in R90-1 instead of R2000, would your testimony on page 6, lines 12 to 20, differ in any way?

A No, they wouldn't.

Q Now, I gather you have seen these bundles of Wall Street Journals that arrive in Dow Jones trucks.

A Yes, I have.

Q Are they strapped in two directions?

A I don't recall.

Q Are the straps quite durable?

A I think all the straps at one point are quite durable, until they are pressured. My experience with the Wall Street Journal is, yes, they are strapped well.

Q Are the bundles sorted by zip code?

A Normally always.

Q How are they arranged within the bundles, if you know?

A I do not know. It varies, I believe, from printing plant.

Q Now, when the trucks arrive at 12:45 or so in the morning, as you testify, I said earlier there were Down Jones trucks, but let me ask you if you know if that is, in fact, the case?

A No, it's actually contractor, I believe.
Q All right, contractors of Dow Jones?
A Or whatever printer they're using.
Q But not Postal Service trucks?
A I'm not familiar with Postal Service trucks bringing in Wall Street Journals.
Q All right, so at whose expense are these Wall Street Journals being dropped off at Postal Service facilities?
A I would assume, by the printer subcontracted.
Q And not the Postal Service?
A Not the Postal Service.
Q Then you mention a little later in that paragraph that the bundles are hand-delivered by mail handlers walking from one truck to another with one or two bundles; do you see that testimony, sir?
A Yes, I do.
Q Is there some prohibition on those people using a hand truck?
A Prohibition?
Q Yes.
A No, there's no prohibition for them to use the hand truck.
Q Do they use a hand truck?
A I assume they could, if there's enough bundles.

Q But do they ever?

A I can't answer whether they do or not. My guess is they would if there's enough bundles.

Q You were just testifying a few moments ago about cost-benefit analysis and efficiency. Would you agree with me that it would be more efficient to use a hand truck to move bundles, or some mechanical device such as a cart, rather than carry them, one or two bundles at a time?

A They would if there was enough going to that particular truck. At that time of the morning, the reference was made to one bundle going to a small community outside a major metropolitan area that maybe only had one bundle going to that particular contractor.

Q So, is it your testimony that this paragraph was not intended to speak about the universal experience with Wall Street Journals, but about a particular experience for one small community?

A I think I can answer that best by saying it's not a universal statement, but it does happen.

Q In any event, I take it from your testimony that what you're describing is a situation in which the Wall Street Journals don't even go into the building; is that correct?

A That's correct.

Q So they don't get sorted on your automation

equipment; is that correct?

A Not in this reference, no.

Q And by drop-shipping -- are you familiar with that terminology?

A Yes.

Q By drop-shipping and by sorting in this fashion, among other considerations, does Dow Jones save the Postal Service expense that it might otherwise have to incur?

A We would incur expense if they did not do that.

Q Now, did you testify anywhere in this statement with respect to the Wall Street Journal about the cost savings that it brings about on behalf of the Postal Service?

A No, I did not.

Q And if the Commission were attempting to determine the reason for that trend in periodicals costs, would you agree with me that it would need to take into account, not only what costs the mailer may cause the Postal Service to incur, but also any costs savings that the mailer achieves for the Postal Service?

A I would assume that, but I don't know what the thinking of the Commission is when they determine that, so I would assume that that would be, but I don't know.

Q In any event, let's turn to page 1 of your testimony, line 19.

[Pause.]

You said that your testimony addresses three specific issues, and I will just read the first: One, the trend in costs for periodicals since 1993.

Putting aside what the Commission may think, with respect to your own testimony, sir, I take it you would agree with me that if your testimony is to be evaluated with respect to the trend in costs for periodicals since 1993, we must look both at any increases in costs the Postal Service incurs, but also cost savings that mailers achieve on behalf of the Service?

A I'm not familiar how the Postal Service applies costs to products, but that would be a fair assumption on my part.

Q Thank you, Mr. Unger.

MR. McBRIDE: I have nothing further at this time, Mr. Chairman.

CHAIRMAN GLEIMAN: Mr. Levy? Now, remember, you need lots of time to prepare for this afternoon.

MR. LEVY: Now the shoe's on the other foot. I want to begin by thanking the Commission for the reference to my client. My hourly rate is going up as a result.

[Laughter.]

CROSS EXAMINATION

BY MR. LEVY:

Q Mr. Unger, your testimony is responsive to the Commission's Order 1289; is that correct?

A I believe so, yes.

Q And the Commission, in Order 1289, was interested in an explanation for certain trends and costs?

A I believe so.

Q And I want to focus on the same one that Mr. McBride was just focusing on, which is the increase in the inflation-adjusted costs of processing periodicals since 1993.

That, in fact, is one of the things the Commission wanted the Postal Service to submit testimony on, correct?

A As far as I know, yes.

Q Well, you did read Order 1289 before preparing your testimony; didn't you?

A I read the sheet of it, yes. I haven't gone through all of the documents that were submitted.

Q Now, I want to focus in my next line of questions on the 1993 to 1999 period.

Would you go to page 3 of your testimony?

I want to focus on lines 13 to 19, and there you talk about the difficulties in handling newspapers; is that correct?

A I state that they're one of the most difficult mail pieces to handle, yes.

Q And you give several reasons: Their size, their shape, their thickness, and their tendency to buckle; is that correct?

A That's correct.

Q Now, have the dimensions of newspapers changed from 1993 to 1999?

A I don't know.

Q Did you attempt to investigate before preparing your testimony?

A No, I did not.

Q What about the size and what about the thickness of newspapers? Has that changed since '93?

A The thickness?

Q Yes.

A I don't know.

Q Well, what about the tendency to buckle; has that changed since '93?

A I would say no.

Q Now, newspapers are only a subset of the total volume of periodical mail; isn't that right?

A That's correct.

Q There are also magazines?

A Yes.

Q And newspapers may be divided into in-county newspapers and newspapers that are mailed outside the

county, roughly speaking?

A Roughly speaking.

Q Now, the volume of newspapers as a percentage of total periodicals volume has gone up or down since 1993?

A I do not know. You asked me if the percentage of total periodicals, that percentage of newspapers, whether it's gone up or down?

Q Total newspaper volume as a percentage of total periodical volume; has that gone up or down since '93?

A I don't know.

Q Hasn't the circulation of -- hasn't the volume of in-county newspapers fallen by about 40 percent during that period?

A I don't know.

Q Well, the other class of periodical or kind of periodical now are magazines, and most of those are flats?

A Usually, yes.

Q And you indicated that those flats don't have any particular greater difficulty than other flats; is that correct?

A Generally speaking, they do not.

Q All right, would you go to line 17 of the same page, again, page 3 of your testimony?

A Yes.

Q Now, there, from lines 17 to line 23, you talk

about polywrap?

A Yes.

Q What percentage of second class or periodicals mail was polywrapped in 1993?

A Oh, I don't know.

Q What about 1999?

A What percentage is polywrapped?

Q Yes.

A I don't know.

Q Has the trend been going up or down?

A My opinion would be that it's gone up.

Q But you don't know the order of magnitude?

A No.

Q Would you go to line 19 of your testimony, of the same page?

A Yes.

Q There's a sentence which states: Since then, poly has been refined, but there are still problems. Do you see that?

A Yes.

Q Would you explain what you mean by the word, refined?

A Basically, just a general reference to a better quality of wrap.

Q Better quality in the sense?

A In terms of going on the machines.

Q So the quality of the polywrap has changed?

A I don't know that. I'm assuming that. It may not be the material itself, but how it's wrapped.

Q But something about the polywrap has made it easier for the Postal Service's equipment to handle; is that correct?

A That could be part of it; another part could be the introduction of the 1000 which handles them much better than the 881.

Q When was the 1000 introduced?

A Four years ago, I believe.

Q Now, hasn't the Postal Service established specifications for polywrap to be automation-compatible?

A I'm sure it's part of the specifications that are given.

Q And hasn't the Postal Service offered automation discounts for polywrapped periodicals since 1997?

A I believe that, yes.

Q Do you know what percentage -- what was the rate of jamming of polywrapped periodicals in FSM 881s at the beginning of the 1993 to 1999 period?

A I don't think we know that. I don't think we track jams.

Q You don't have any order of magnitude or sense of

whether the rate of jams in 881s from polywrap has gone up or down during the '93 to '99 period?

A It would be difficult, because of the -- once, as I said before, with the advent of the 1000s, which were more -- which were designed more specifically for the odd-shaped flats, that polywrap and shrinkwraps went over to the 1000s.

So, number one, I don't know the percent that was polywrapped. I don't know if the percent of jams went down due to the fact they went to the 1000s, or that they were prepared better.

I do know that plant managers will almost always put that type of mail on a 1000, and not an 881.

Q But some poly wrapped still goes on the 881s?

A Very little, I have seen very little.

Q In any event, not enough for you to know whether the --

A That's correct, I do not know.

Q In any event, not enough for you to know whether the percentage of poly wrapped stuff on the 881s has been jamming more or less?

A That's correct, I do not know.

Q What about the FSM 1000s, has the percentage of poly wrapped parcels -- I'm sorry, let me restart the question. I want you to keep in mind a ratio, the numerator is the number of polywrap parcels that jam on FSM 1000s.

A What is the denominator?

Q The total number of polywrap parcels -- I'm sorry, poly wrapped periodicals that go on FSM 1000s.

A Okay.

Q So, the numerator and denominator are both polywrap parcels on FSM 1000s. The numerator is the number that jam, the denominator is the total that go through the machines. Do you have those, the ratio?

A On the 1000s?

Q Yes.

A No, I don't have that formula. I will say that my opinion is, talking to the plant managers, that that has improved.

Q The jam rate has been going down?

A It has improved, yes. But I do not have any specific numbers to what the jams were prior to and what the jam percent is now.

Q Okay. Let me go to a somewhat different topic. Have you ever seen a document called the National Periodicals Processing Standard Operating Procedures?

A Put out by Mr. Barannca?

Q Could be.

A I have seen it.

Q And that is also -- I'm sorry, by Mr. who?

A The copy I had was signed by Nick Barannca.

Q Yes. And that is also informally known as the SOP, is that correct?

A Standard Operating Procedure, yes.

Q Now, the SOP reflects the Postal Service's analysis of ways to improve the quality of periodicals service, isn't that correct?

A That is part of it.

Q And another part of the SOP is an analysis of the way to hold down the costs of processing periodicals, isn't that correct?

A Correct, they are within the SOP.

Q And the SOP identifies a number of problems in the areas of quality and costs of periodicals service, isn't that correct?

A I assume it does. I haven't read it in some time.

MR. LEVY: May I approach the witness?

CHAIRMAN GLEIMAN: Yes.

MR. LEVY: For the record, I am handing Mr. Unger a copy of the Postal Service's May 1st responses to certain items from the Presiding Officer's Information Request Number 9, and I am going to open it to the attachment which appears to be the SOP.

BY MR. LEVY:

Q Do you recognize that document, Mr. Unger, as the SOP?

A It is the one I refer to, yes.

Q Thank you. Now, the SOP identifies, I think my last question was, a number of problems with existing periodicals handling procedures, is that correct?

A Yes, sir. Yes.

Q And it proposes a number of solutions or guidelines?

A Guidelines, yes.

Q Now, does the SOP say anywhere, if you recall, whether polywrap flats are a problem with the machines?

A I don't recall it saying that. It may.

Q Doesn't the SOP say without qualification that polywrapped flats should be considered machineable? Do you recall seeing that?

A I don't recall that, no.

Q Will you turn to page 4 of the document and see if that refreshes your recollection?

A It is a note to the processing system. It says polywrap flats should be considered machineable.

Q Thank you.

A Under the subhead of mixed sacks and trays.

Q Let me go to a different line of questions, Mr. Unger. Would you go to page 4 of your testimony, starting at line 2? And there, from line 2 to line 9, you are talking about line of travel, do you see that?

A Yes.

Q And you identify that as something that could increase the cost of processing periodicals, is that correct?

A The cost?

Q The mailers' failure to sequence mail in line of travel could be an item that could increase costs?

A Yes, intended line of travel to reduce the cost is the way I really tried to phrase it, not isolate it as a cost.

Q Is it your testimony that the percentage of periodicals mail that is not entered in line of travel has increased from '93 to '99?

A Has increased?

Q The percent that is not pre-entered, sorted to line of line of travel has increased?

A I can't say that, no. I don't know that.

Q Okay. Let me ask you to go to line 11 of the same page. Starting there you are talking about bundle breakage. Has the percentage of bundle break, of bundles of periodicals that break increased from '93 from '99?

A Once again, I don't believe we track that. I don't know how we would track it. But, a general statement, talking with the plant managers, from '93 to '99, I would say the situation has improved.

Q Thank you. Would you go to page 5 of your testimony, starting at line 13? And there you are talking about skin sacks.

A Yes.

Q A skin sack, loosely speaking, is a sack that doesn't have many pieces in it, is not very full?

A Normally less than 20 or 24 pieces, yes.

Q What percentage, if you know, of periodicals mail was entered as skin sacks in '93?

A In '93?

Q Yes.

A I don't -- I do not know.

Q Ninety-nine?

A I do not know.

Q Any year in between?

A I do not know.

Q Has the percentage of periodicals mail entered in skin sacks gone up or down during that period?

A I can't specifically answer that.

Q Let's go to page 6 of your testimony, starting at line 5. There, from lines 5 through 10, you are talking about flexibility of acceptance to accommodate mailers and printers, do you see that?

A Yes.

Q Has the rate of this kind of flexibility for

periodicals gone up or down during the 1993 to 1999 period?

A My personal opinion is that it has stayed the same. We have always tried to accommodate problems in printing.

Q Thank you. Now would you go to line 12 of the same page. On lines 12 through 20 you are talking about -- this was the Wall Street Journal you were talking about in that paragraph?

A Yes.

Q Let's talk about other newspapers. Are you -- without naming them -- aware of any other newspapers that have the same kind of handling?

A As a general rule, no, but in specific plants it is possible.

Q Do you know whether the frequency of this kind of special handling has gone up or down during the '93 to '99 period?

A I do not know if it has gone up or down and it is not a widely-spread thing. It was just a notation that it can be a cost because of the type importance we give to that type of mailing.

Q All right. Would you go to line 22? Starting there you talk about "hot pubs," and that is a term for time-sensitive publications?

A It can be, yes.

Q Has the percentage of periodicals' volume given hot pubs treatment increased or decreased during the '93 to '99 period?

A Personally in the Southeast area I would say that it has increased but I have no specific numbers on it.

Q Order of magnitude?

A Order of magnitude -- probably increased somewhat from a base of -- let me draw a distinction. Something could increase from 50 to 75 percent or something could increase from a 5 thousandth of one percent to 7.5 thousandth of one percent. Do you understand the distinction?

Q You would have to repeat that.

A A given percentage increase in some phenomenon could have a very different effect, depending on the size of the original base from which the increase was drawn.

Q Yes. What percentage of newspapers have received hot pubs treatment?

A Newspapers?

Q Yes.

A Hot pubs usually refers to magazines rather than newspapers.

Q I'm sorry, you are absolutely right. What percentage of magazines receive hot pubs treatment?

A It varies from plant to plant. Some have none.

Some may have as many as 15 or 16.

Q Overall, do you have any idea as a percentage of the total periodical volume what percentage of the volume receives hot pubs treatment?

A No, I have no idea.

Q Would you go to page 7 of your testimony? On lines 1 through 8 you talk about supplemental periodical transportation. Do you see that?

A Yes.

Q Do you know what percentage of periodicals' mail volume receives that treatment now?

A Well, it would be very low, but I don't know the specific percent.

Q Can you tell me the trend from '93 to '99? Is it up or down?

A I do not know.

Q Now on line 13 of page 7 you talk about a joint MTAC -- M-T-A-C -- USPS Service Task Force, do you see that?

A Yes.

Q And that was a task force to deal with, among other things, service quality?

A Service, cost, quality, yes.

Q When was that task force set up?

A When was it set up?

Q In what year, approximately?

A Three years ago I believe.

Q Oh, I'm sorry, it was in 1997, wasn't it, according to line 12 of your testimony? -- and that initiative or the task force was created in response to complaints from mailers that service quality was declining, correct?

A I would assume that is part of it. I don't know really exactly if it was set up just because there was an increase in complaints or in the fact that we wanted to improve the situation in that class of mail.

Q But in fact prior -- several years prior to 1997 at least by some measures service quality was declining for periodicals, wasn't it?

A I can't say that because we don't track service for periodicals per se.

Q Do you have any idea whether service for periodicals today is as good as it was, say, in 1985?

A As good as it was in 1985?

Q Yes.

A Are you asking me for my opinion, or do I know?

Q Do you know?

A I do not know.

Q Now let me ask you a different subject, Mr. Unger. You talked about difficulties in automated processing of machines because letter mail gets processed instead. Do you

recall that discussion?

A No. You would have to refer me to my testimony on that. I don't recall that.

Q Will you turn to page 10 of your testimony?

A Yes.

Q I want to focus on the sentence that begins on line 8. Do you see that?

A Yes.

Q And to paraphrase that sentence, there are at least some occasions when the Postal Service will process Standard A mail on FSMs rather than periodicals mail?

Do you see that?

A That sentence taken by itself, I would prefer we refer to the entire paragraph, which explains it better.

Q But it is a fact that that preference sometimes happens, doesn't it?

A That Standard A would be preferred over periodicals? For a machine or for processing?

Q For machine processing on an FSM?

A That is possible but that is to be a clear distinction between the processing of the product versus where it is processed and on what machine.

Q Let me follow up now on an issue that Mr. McBride alluded to. During the period from 1993 to the present, the amount of mail that was prepared by periodicals publishers

for -- that was drop shipped or destination entered by periodical publishers has increased, isn't that correct?

A It has.

Q And more and more mail has been entered by the mailers at some destination facility, right?

A That's correct, and I don't know the percentage.

Q And that destination entry has occurred at the cost of the mailer or his contractors rather than the Postal Service, correct?

A The best way I could answer that is I assume that the mailer pays for the cost of transportation, printing and getting the mail to the post office, yes.

Q But not the post office -- the post office doesn't pay for destination entry transportation?

A We do not pay for transportation that the mailer is required to pay for. That is correct.

Q Now all other things being equal, it's possible that destination entry has had a lowering effect on Postal Service's costs?

A The drop shipment itself?

Q Yes.

A My assumption without knowing the exact figure is that it would reduce our cost.

Q And that could offset other trends that might have the -- that could offset at least in part trends that might

have the effect of increasing costs?

A Let me repeat what you said. It might offset the trends that would increase the cost?

Q Offset at least in part.

A It could.

Q In preparing your testimony, why didn't you investigate the significance of a cost saving trend from drop-shipping, or destination entry?

A Why didn't I?

Q Yes.

A I didn't cover a lot of things. That's one I didn't.

Q The volume of mail, periodicals mail that has been automated has also increased during the 1993 to 1999 period, correct?

A Yes.

Q All other things being equal, an increase in the amount of automated mail should tend to reduce the Postal Service's mail processing costs; correct?

A That's correct.

Q For periodicals mail, do you know the magnitude of that effect?

A Periodical mail, per se?

Q Yes.

A As an entity, no, I do not.

Q Did you attempt to find out before preparing your testimony?

A No, I did not.

Q During the 1993-99 period, the Postal Service has been installing more and more automated flat processing machines; is that correct?

A Yes, we have.

Q And all other things being equal, that tendency should reduce the costs of processing the mail?

A It should and it does.

Q Have you estimated to estimate the magnitude of those savings?

A No, it wouldn't be my place to attempt to. In the Southeast area, we're given specific cost savings in the form of a DAR for each piece of machine we get, and we track that because we're charged with that savings when we get the piece of machine.

I don't know as a general -- with the entire country, what the machines are charged to in terms of what they're allocated for savings.

Q Would you explain what you mean by the DAR that you get for a machine?

A It's a decision analysis made on return on investment for each machine. And the area that receives that machine, or the location that receives that machine, is

expected to save so much money when they get that machine.

Now, that adjustment is made to the budget at the time they get the machine, and savings assigned to that area per machine, per site.

Q Let me explain what I'm trying to get at, Mr. Unger. We have obtained from the Postal Service in discovery in this case, some DARs for some of these automated machines.

And what we have seen appears to -- well, I won't characterize it.

When you get a DAR for a particular machine that you receive at a particular facility, are you expected to achieve savings at a rate that is specified somewhere in the DAR?

A The DAR rate may differ from what we are allocated as a savings as we get the machine. It doesn't necessarily mean that we will get exactly what's in the DAR.

Headquarters will determine what the savings are from the machine, and there's a range in the decision analysis, and the return on investment.

Somewhere in that range, we will be charged each year for certain productivities and savings off that machine, and it's reflected in our budget that we get.

Q When Headquarters tells you how much you are expected to save from a machine that you get, is that -- are

those instructions embodied in a document separate from the DAR?

A We get both. We get a DAR on the general type of equipment that's universal for that type of the equipment, whether it be 881, 1000, 100.

At the time we get the machine, prior to that, at budget time, based on the schedule of the machine that's coming into the area, we'll be allocated for a savings in the program savings area of the budget for that specific machine.

And we're allowed to verify it, and if we think the DAR is too aggressive or the return on investment is too aggressive, we have the right to push back and make our case.

Q I want to focus on the document that accompanies the DAR. Does that document typically have a title or name?

A I'm not sure what document you're referring to.

Q The one that -- the target from management for how much you're supposed to save as a result of getting the machine.

A No, I'm not sure what you mean. I don't know that there's a name for that piece of paper.

Q But, in any event, you get a document separate from the DAR that tells you how much you're supposed to save?

A I don't know that we get a document. At my level, what I see is the hit on the machine, what we call a hit on the budget for the machine that's going to be put into our area and with the specific time it's going to be put in there, prorated to the time which we get the machine which goes against our budget in terms of a savings.

Q And you use the term, hit, for that?

A I use the term, hit.

Q Okay, that's fine. And the hit is embodied in something you get from higher up?

A Yes.

Q And is that hit embodied, management expectations in the hit, embodied in a document, typically?

A There is a DAR, I believe, that's submitted to the Board of Governors prior to the purchase of the equipment.

There is a specific savings that goes with the DAR and the return on investment that's given to the management committee.

And they establish for the budget committee, which those figures are approved, given to us.

We have a chance to agree with them or not agree with them.

And when we do agree with them, which is, in terms of flat sorting machines, has been the case, we do agree with them, we sign off on that, and we're expected to make

the savings.

Q But I thought you told me, Mr. Unger, in response to several questions ago, that the management's expectations for the savings for a machine at a particular location, might differ from the range projected in the DAR; is that correct?

A Well, what I said is, there is the range in the DAR and return on investment can be a rather wide range of what is expected.

There's upper and lower bounds on the savings, based on the piece of equipment itself. I don't think it's scientific enough so that when you get a piece of machinery that that says it will save 19,333.5 hours year.

Q When management proposes a hit to you, is that oral, or is that in a document that is separate from the DAR?

A It's, as I said before -- we will look at the paperwork that goes with the savings associated with the equipment.

When we get our budget, it will have a list of pieces of equipment that we will get that year and what timeframe we're going to get them, and there will be a work hours savings allocated with that particular piece of machinery.

And that will reflect in our budget as a cost

savings initiative.

Q Okay, I want to focus on the work hour savings that are allocated to that piece of machinery.

Are those work hour savings expectations set forth in a document?

A Yes, in the budget.

Q And does each Region get a separate budget?

A Each area gets a separate budget, yes.

Q And the budget will state the expectations of management about how much labor time is expected to be saved from a particular piece of machinery?

A It does.

Q And those documents are routinely received in your region?

A Not routinely, once a year.

Q Once a year. Once a year those documents are received in your region?

A In our area, yes.

Q And for each piece of flat sorting machinery that you get?

A Yes.

Q Do you have any reason to believe that your region is atypical of the rest of the United States?

A No, I believe our area is pretty much reflective of the other nine areas.

MR. LEVY: Thank you. That is all I have.

Actually, Mr. Chairman, if I could take a couple of minutes to consult with my experts.

CHAIRMAN GLEIMAN: I tell you what we will do, we will take a 10 minute break now. When we come back, if you have additional questions, you can continue, and, if not, we will continue with Mr. Feldman on behalf of the Coalition for Religious Press Associations.

MR. LEVY: Thank you, Mr. Chairman.

CHAIRMAN GLEIMAN: We will come back on the hour.

[Recess.]

CHAIRMAN GLEIMAN: Mr. Levy, you are still there, so I take it you have some more questions.

MR. LEVY: I got a second wind. Just a few.

CHAIRMAN GLEIMAN: We will have shorter breaks in the future.

BY MR. LEVY:

Q Mr. Unger, you have indicated that mail on pallets, all other things being equal, is easier to process than mail in sacks, is that correct?

A As a general rule, yes.

Q Can you tell me whether more or less periodicals mail was entered on pallets in '99 than in '93?

A I don't know the specific numbers, but I am sure there was more entered on pallets.

Q It is also true that the percentage of periodicals mail that was presorted to the carrier route has increased over the same period, is that correct?

A Once again, just from my knowledge of being in the field and knowing my managers, I don't know the specific numbers, but I would say that, yes, it has increased.

Q It is also true that in at least the last few years, the increasing number of newspapers have bar codes, is that correct?

A I don't know the answer to that.

Q Some newspapers have bar codes now, don't they?

A Some do.

Q And wasn't there a period before -- a time before which newspapers did not have bar codes?

A I am sure there was, yes.

Q Did any newspapers, to your knowledge, have bar codes as early as '93?

A As early as '93?

Q Yes.

A I don't recall that, no.

Q You don't recall that?

A Any had bar codes prior to '93 or prior to that.

Q Let me clarify that. You don't have a recollection one way or the other, or it is your recollection that there were none in '93?

A My recollection is there was none in '93.

Q Thank you. If you would go to page 11 of your testimony, where you talk about the UPS strike and its affect on costs. Do you see that?

A Yes.

Q UPS doesn't carry very many periodicals, does it?

A I don't believe so.

Q On page 11 to 12, you talk about planning for fall 1998 operations, do you see that?

A Yes.

Q And the gist of that is the Postal Service expected there to be a surge of volume during the fall of '98 and that volume did not materialize as much as expected, is that correct?

A It didn't materialize as much as expected, that's correct.

Q I'm sorry, it did not materialize?

A It did not materialize as much as expected.

Q Does Second Class or periodicals mail have any significant seasonality in its volume?

A It may in my area because of Florida, but in most areas it would not.

Q Oh, Florida, because people are moving south for the winter?

A That's correct.

Q And that presumably would mean less volume in the recipients' home residence areas, correct?

A It would mean less volume in the northern states and more in Florida, yes.

Q Do you get any subsidy from Canada Post during the winter?

A Do I get any subsidy? I have no idea.

MR. LEVY: That is all I have. Thank you.

CHAIRMAN GLEIMAN: Mr. Feldman.

MR. FELDMAN: Mr. Chairman, I just would like to take about 30 seconds to review my notes to see whether any follow-up is even needed at this point.

CHAIRMAN GLEIMAN: Sure.

MR. FELDMAN: Thank you very much.

[Pause.]

CROSS EXAMINATION

BY MR. FELDMAN:

Q Mr. Unger, I'm Stephen Feldman, counsel for the Coalition of Religious Press Associations.

You mentioned in your testimony at several points that barcoded periodicals are sorted manually for a variety of reasons isn't that correct?

A They can be, yes, sir.

Q When that happens, has the cost of that sortation, that particular kind of manual sortation, is that cost any

greater or less than if the sortation had been of nonbarcoded periodicals that had to be distributed?

A The cost of manual distribution is more expensive than if we put it on the machine.

Q I'm sorry, that wasn't the question. If the magazines, let's say for example, didn't have bar codes, they came in in SCF bundles and they were distributed and manually sorted, would that cost be any more or less than the expense of the manual sortation of barcoded publications that you discussed in your testimony?

A No. The costs would be the same because it is the same process, distributing.

MR. FELDMAN: Thank you very much, Mr. Chairman. That's all I've got.

CHAIRMAN GLEIMAN: Is there any follow-up? Mr. Bergin?

FURTHER CROSS EXAMINATION

BY MR. BERGIN:

Q Mr. Unger, Mr. Levy asked you a question about so-called hot pubs that you referred to in your testimony at page 6.

A Yes.

Q It is correct to -- is it fair to say that these hot pubs programs are initiated by the Postal Service in response to complaints respecting unacceptable service from

mailers and/or addressees of the periodicals publications involved?

A I would say they are mainly instituted in cases where we get complaints from the customer themself.

Q That would be the recipient of the periodical?

A The recipient at the residential address or business address, yes.

Q Also in response to questions by Mr. Levy respecting your testimony at page 6, lines 5 through 10, special arrangements to deliver periodicals even when they are received at the plant after the critical entry time, are those arrangements made at the initiative of the Postal Service itself or are these special arrangements done at the request of particular mailers?

A No, they are done because in most cases a large majority of complaints that you receive from customers deal with time sensitive mail -- publications they are expecting on a particular day -- and as a result you give them special attention to, number one, to give it the service it deserves, and number two, to eliminate the complaints from the customer.

Q So these special arrangements would be done at the initiative of the Postal Service itself?

A Yes, it is.

Q And the cost that you refer to with respect to

making these special accommodations when the mail is running late, are those transportation costs?

A They can be both processing and transportation costs.

Q What sort of processing costs are you referring to?

A If they are extremely late and they have to go out that day, there's circumstances where certain clerks, if it is a manual distribution, would be held over on overtime to make sure they get out if their tour's ended, if they have scheme knowledge.

Q I see.

A But most of the cost deals with transportation.

Q And finally, in response to a question from Mr. Levy, you discuss the priorities among classes and subclasses for mail processing, and you stated that in some instances Standard A mail would be given priority over periodicals mail, is that correct?

A No. That is not my statement.

Q So in other words, periodicals mail would be given processing priority over Standard A mail as normal course --

A Periodicals would be given in my opinion priority over Standard A. My reference to Mr. Levy was in relation to what mail would go on a machine, not as to when it would be serviced.

Q Now the processing priorities apply to all processing operations, is that correct, including the machines?

A I am not sure what that -- could you repeat that statement?

Q The mail processing priorities for the various classes and subclasses --

A Yes.

Q -- would apply to all processing operations including use of the flat sorting machines?

A Flat sorting machines would be a integral part of the processing plan, yes.

Q All things being equal, are periodicals given priority in terms of processing on the flat sorting machines, vis a vis Standard A mail?

A I wouldn't want to answer it that way, because the fact that it goes on the machine, doesn't necessarily mean that it's getting priority in terms of how it's serviced.

It doesn't necessarily mean that by putting any type of mail on the machine, it will always get faster or better service.

My reference to the machine would be the readability and the workability of the mail on the machine, and that terms of priority, not in terms of what mail we work first and when it would be delivered or get out of the

plant.

In terms of periodicals, in terms of the food chain of service priority, First Class and periodicals in many cases are handled the same because of the time they're entered and the time sensitivity to it.

I in no way want to imply that Standard A is put ahead of periodicals because it's not. It may be put on the machine in lieu of periodicals because it works better on a machine in that particular time or window, as we call them, but it does not mean that we're putting Standard A ahead of periodicals to be worked and to be processed.

MR. BERGIN: Thank you, Mr. Unger. I have nothing further.

CHAIRMAN GLEIMAN: Is there any additional followup?

MR. FELDMAN: I have one question, based on Mr. Bergin's questions.

FURTHER CROSS EXAMINATION

BY MR. FELDMAN:

Q If mail is processed on a flat sorting machine, isn't one of the benefits of that sortation, particularly if there's an OCR attached to the flat sorting machine, that it should improve service?

A It should.

Q Didn't -- haven't you made reference, however, to

manual sort of periodicals which you said was done in order to improve the service of periodicals?

A I don't recall saying that manual sort was done to improve periodicals. Maybe a reference to the fact that in certain circumstances we will send periodical type mail to a station or branch where there's a scheme clerk to work it manually to make sure it gets out that day, rather than taking the chance of running it on the machine and not clear.

That's particularly if that piece of mail isn't conducive to machine, that we have in our history bank.

Q Are you aware of any data that shows that service for periodicals has improved or declined in the years that flat sorting machines have been available?

A I don't have that data, no, sir.

Q So how flat sorting machines, with or without OCRs, have affected periodical service is not something that you have any specific information on?

A I have -- there's information available that when you run equipment on an OCR machine, the error rate goes down, and then I would deduct from that that as the error rate goes down, the probability of correct delivery, on-time delivery, would improve. It's a deduction, and I have no facts.

Q So if a piece of mail then is handled manually,

it's possible that the chances of incorrect delivery would go up?

A It would depend on what station it is. It could -- the chance of an error in distribution could go up. On the other hand, it could go down.

MR. FELDMAN: That's all I have, thank you.

CHAIRMAN GLEIMAN: Any further followup?

[No response.]

CHAIRMAN GLEIMAN: I believe there are some questions from the Bench. Commissioner Omas?

COMMISSIONER OMAS: Thank you. Mr. Unger, at page 10 of your testimony, referring to periodicals, you say comparatively low volume means short runs.

Just-in-time arrival precludes any process that has a setup and shutdown requirement of any consequence.

Since you do process just-in-time mail, which are the processing operations used that do not have significant setup or shutdown requirements?

THE WITNESS: That would be manual distribution.

COMMISSIONER OMAS: Okay, thank you. On page 8 of your testimony, you mention that a plant manager is under great pressure to use automation equipment he has, or he'll lose it to another plant.

Can you give me an idea of how long, on average, equipment can go under-utilized before it will be taken away

and given to another plant?

THE WITNESS: I can give you a good estimate; that's all I could give you.

COMMISSIONER OMAS: That's fine.

THE WITNESS: I would say that if a plant manager is put on notice in our area that he's under-utilizing a piece of equipment, he will be given anywhere from four to five months before we pull the piece of equipment, depending on what time of year it is.

There are certain plants in our area, such as North Metro and Atlanta, where they do not utilize the equipment as well as other plants, yet we keep the equipment there because there are tremendous volume surges.

We need that equipment there to make sure on the really heavy peak days that we get the mail out. And their utilization may not be as good as another plant.

But if it's a plant that doesn't have surges and should operate better and they're under-utilizing the equipment, we will move it.

COMMISSIONER OMAS: Now, lastly, how do you typically demonstrate a shortage of an FSM capacity that is sufficient to be given to an additional -- in order to get an additional FSM?

THE WITNESS: What do we have to show to get another FSM?

COMMISSIONER OMAS: Yes. In other words, what do you have to demonstrate, or what does a plant have to demonstrate to you in order to get an additional FSM?

THE WITNESS: It would be a couple of things: Number one, the equipment that they have existing in their plant would have to be at full utilization, which we track on our daily piece count.

And at the same time, we'd have to show that the capacity is there, both on managed mail and incoming mail, that there's too much volume for the present capacity. And that can be shown just with our volume figures.

When it shows that we can fully utilize another piece of equipment, that plant has reached its capacity and needs more equipment, then we would move it in, but it would have to be based on mail volume.

COMMISSIONER OMAS: All right, thank you.

CHAIRMAN GLEIMAN: Commissioner Covington?

COMMISSIONER COVINGTON: Thank you, Mr. Chairman. Mr. Unger, I would like to welcome you here to our proceedings this morning.

I have a couple of questions that I'd like to ask you, particularly in light of the fact that I notice you're from the Southeast Region, which is a great place to hail from.

When you talk about -- this is a followup to

Commissioner Omas's question.

When you talk about your volume, what effect, in particular on periodicals -- and in your testimony, you alluded to the hot pubs -- would the opening of a new facility have, particularly if that new facility is going to replace one or more existing facilities that you had in place?

THE WITNESS: What effect would it have on equipment?

COMMISSIONER COVINGTON: On equipment.

THE WITNESS: Normally a replacement facility, unless it's taking in additional workload, would carry over the same amount of equipment to the new facility, but in most cases, when we replace an old facility with a newer facility, we will take more mail in that's being done manually in the surrounding offices, which would increase their capacity.

And in a lot of cases, the new facilities will get additional equipment. But we only give them additional equipment if they can justify it through volume.

COMMISSIONER COVINGTON: If they can justify it through volume, okay. Well, is this an accurate statement: Mail volume and costs are not stable with the same facilities or across facilities?

THE WITNESS: Mail volume and costs?

COMMISSIONER COVINGTON: Are not stable or not consistent with same facilities or across facilities, particularly down in the Southeast operational region?

THE WITNESS: Meaning that one plant similar to another plant in every dimension, the costs would not be the same?

COMMISSIONER COVINGTON: Right. Well, you know, I know that the degree of automation varies, depending on the size, the age, and the location of the facilities.

So, in light of that, is it an accurate statement to say that mail volumes and costs are not stable or consistent based on those factors?

THE WITNESS: I would say that's correct.

COMMISSIONER COVINGTON: Okay, when you were talking about the polywrap and the breaking of the bundles and so forth, how do you look -- what do you do about measurement error? How is that treated?

THE WITNESS: I'm not familiar with measurement error.

COMMISSIONER COVINGTON: Well, what I'm saying is, I think that measurement error is of a particular concern when you're dealing with either letters and parcels manually or whether it's in a flat operation scheme, correct?

THE WITNESS: We measure it, yes, but I'm not sure what the term, measure error means.

COMMISSIONER COVINGTON: Okay, well, let me put it to you like this: How do you or who would basically pay attention to your rejects?

THE WITNESS: I understand. We have specific supervisors on the floor and their title has changed. There are Quality Specialists that continually look at the rejects, the read rate and the acceptance of the equipment utilization.

In most case, due to the constant changing technology of the equipment and even though every piece of equipment is made by the same manufacturer, in many cases, each piece of equipment does not have the same throughput.

COMMISSIONER COVINGTON: Okay, doesn't have the same throughput. As far as time sensitivity, I didn't notice any particular emphasis that you put on that in your testimony.

But isn't it true that -- I mean, how do you all deal with the costs around breaks, you know, people clocking in and out, and like even when you even move around that empty equipment?

THE WITNESS: Most of that time goes in what we call LDC-17, which is allied time, which is not charged directly to an operation. It's an overhead cost, and it's an area that we've worked hard to reduce, but it's still a large part of our costs.

COMMISSIONER COVINGTON: Okay, when you say allied time, does that tie in with allied labor?

THE WITNESS: Yes, sir.

COMMISSIONER COVINGTON: I figured you were going to tell me that.

On page 9 of your testimony, you contrast the costs of processing periodicals with the cost of processing other kinds of flats.

And I think you said, Mr. Unger, that because run time is a significant cost driver, that a plant manager will always prefer to run a type of mail that will allow a long run time on a machine before shutting down, dispatching, or resetting it to put a different type of mail through.

Now, in light of that, can you give me an idea of what percent of the total hours worked in the flat sorting machine operation are typically spent directly on sorting?

THE WITNESS: I can't, depending on the number of operators on a machine, but my guess is going to be that it's around 70 or 80 percent.

COMMISSIONER COVINGTON: Okay, 70 or 80 percent.

THE WITNESS: Directly on the sorting itself.

COMMISSIONER COVINGTON: Okay, now, what percent are typically spent converting, like shutting down, dispatching, resetting, the flat sorting machine to run a different type of mail?

THE WITNESS: It could be as high as 40 percent.

COMMISSIONER COVINGTON: As high as 40?

THE WITNESS: I believe so.

COMMISSIONER COVINGTON: Okay, now, how would you compare this automated letter mail operations? Let me give you an example: Can you give me an idea of what percent of the total hours worked in the OCR letter operation is typically spent directly on sorting?

THE WITNESS: Well, the OCR?

COMMISSIONER COVINGTON: Yes.

THE WITNESS: You just have one feeder, no keyers, usually two sweepers, so 30 percent would be directly related to feeing the mail; the rest would be on sweeping, backing out jams, and setting up.

Basically, that entire workload is charged to that operation and it's not broken up between allied and productivity. So it's hard to compare the two.

COMMISSIONER COVINGTON: Okay, what percent is spent, Mr. Unger, converting the machine from one scheme to another?

THE WITNESS: It would be much lower. I wouldn't, I could take a guess, but it wouldn't be accurate.

COMMISSIONER COVINGTON: Okay.

THE WITNESS: 5 percent.

COMMISSIONER COVINGTON: 5 percent.

THE WITNESS: Yes, sir.

COMMISSIONER COVINGTON: 5 percent. All right. Can you tell me any similar problems with manual sorting?

THE WITNESS: Similar problems that we have with the automation?

COMMISSIONER COVINGTON: With manual.

THE WITNESS: Right. Manual as compared to automation.

COMMISSIONER COVINGTON: Yes.

THE WITNESS: In terms of setting up and that. Well, it is much smaller. Basically, in manual, you take the mail out of the sacks or off the pallets, put it in front of the person, and they distribute it.

COMMISSIONER COVINGTON: And then they distribute it.

THE WITNESS: Yes, sir.

COMMISSIONER COVINGTON: Barring human error, the percentage of that happening should be pretty high, right?

THE WITNESS: Excuse me?

COMMISSIONER COVINGTON: I said barring humane error, doing it manually that way, the percentage should be high as far as efficiency, right?

THE WITNESS: As when you compare it to the machine, the answer would be no. If you compare it from manual clerk to another, there is a big difference in

efficiency.

COMMISSIONER COVINGTON: A big difference in efficiency.

THE WITNESS: Yes. One clerk can often case a lot more than another clerk, given the same amount.

COMMISSIONER COVINGTON: I am going to deviate from that line of questions, but I am going to come back to it. Being in the Southeast and being an operational man, what input do you seek, or what input do you get from your managers as far as ways to more efficiently handle different classes of mail, particularly periodicals?

THE WITNESS: Well, all plant managers -- I shouldn't say all, but the majority of plant managers will take as much as equipment as they can get. When the 1000 was introduced, they all wanted as many 1000s as they could justify and then some.

Plant managers are the happiest when machines are running. They are not happy when the machines are not running for any reason, whether it be maintenance, set-up, takedown, whatever. They prefer the machines over manual. Number one, the productivity is better, the output is better, and they have a lot less problems normally with machines than dealing with productivity with a manual distributor.

COMMISSIONER COVINGTON: So, in other words, from

plant to plant, facility to facility, the more efficient it runs, the better it makes you look, right?

THE WITNESS: Yes, sir.

COMMISSIONER COVINGTON: And I would imagine that is the reason for the almost 29 years of service, illustrious service with the Postal Service?

THE WITNESS: Thank you.

COMMISSIONER COVINGTON: I wanted to get back to what we were mentioning, I mean touching on briefly about the manual sorting. Can you give me an idea of what percentage of total hours in the manual flat operation would be spent converting from one scheme to another?

THE WITNESS: That would be very low because the conversion of a scheme on manual is in the person's head, depending on what scheme they know. There is really no set-up. What you would do is if you have a particular scheme that has to be worked, the clerks who qualify on that scheme would do the work. The only thing I can imagine as far as change time would be moving one person with a particular scheme over to a case versus one that was there. Other than that, I know of no other.

COMMISSIONER COVINGTON: Well, Mr. Unger, would the same thing apply with manual letter operation?

THE WITNESS: I was referring to the manual operation.

COMMISSIONER COVINGTON: Oh, so, you were referring to the manual operation.

THE WITNESS: Yes, sir.

COMMISSIONER COVINGTON: And the Southeast region, and I noticed the states that you have, how, from an operational standpoint of view, how do you look at your mail processing label cost? Because I know you have skilled versus unskilled, you have your casuals, you know, versus your full-time. You have got your work hours that you have to look at, the pieces that are handled and so forth. What determines, or how do you deal with what degree of label you are going to need, particularly when things aren't always as flexible as you would like them to be?

THE WITNESS: Well, we do have access to casuals, and in our area we probably use more casuals than anywhere else because of Florida.

COMMISSIONER COVINGTON: Okay. Is that seasonal?

THE WITNESS: Seasonal employees, 89 day temporary employees. And in Florida, during the heavy fall months and into the winter, we will have a large number of casuals, as many as 3,000 in our area, predominantly in Florida, to handle the seasonal mail where the equipment can't handle it.

COMMISSIONER COVINGTON: Okay. Do you cover --

THE WITNESS: All classes of mail, though.

COMMISSIONER COVINGTON: Okay. Do you cover -- is Mississippi a part of your responsibility?

THE WITNESS: Yes, sir.

COMMISSIONER COVINGTON: Do you ever get over that way any?

THE WITNESS: Yes, sir.

COMMISSIONER COVINGTON: And the reason I ask that, Commissioner Omas and I both think a lot of Mississippi. I have never visited a mail facility in Mississippi. I would imagine as far as automation, and you know about Mississippi.

THE WITNESS: Yes, sir.

COMMISSIONER COVINGTON: I would imagine as far as automation, things down there vary a great deal from the things that you encounter over around Tampa, St. Pete, Miami, you know, and so forth. Have you noticed, as far as cost, and, say, be it Standard A and/or periodicals, have you noticed any special handling that has to be done over in my neck of the woods, as opposed to somewhere else that may be a lot more populated?

THE WITNESS: Normally, the larger the plant, in terms of space, which would usually correlate with the size of the city, would be -- there would be more allied costs for a lot of reasons. The larger the plant, the more associated costs you have with moving mail, trucking mail,

handling the mail. And, normally, the productivity in the larger plants, because of that, and for other reasons, would be less than a smaller plant in our area.

The host plant in Mississippi is Jackson, and its cost per employee or cost per work hour would be less than that of Atlanta or Miami.

COMMISSIONER COVINGTON: So delivery is a part, your delivery network is another one of your primary responsibilities?

THE WITNESS: Yes, sir.

COMMISSIONER COVINGTON: All right. Well, I don't have to tell you about Mississippi from an infrastructure standpoint of view. Isn't it enough to give you fits that -- how much would you say of your delivery in the state of Mississippi is strictly rural route based?

THE WITNESS: Well, I can preempt that by saying that almost 90 percent of all of our new deliveries in the Southeast are rural. And I would say in Mississippi, probably 50 percent of all delivery is rural.

COMMISSIONER COVINGTON: That sounds a great estimation. Well, Mr. Unger, I appreciate your clarification and the response to inquiries, and that is all I have for this witness, Mr. Chairman.

CHAIRMAN GLEIMAN: Commissioner LeBlanc? Commissioner Goldway?

COMMISSIONER GOLDWAY: Thank you. I thought this discussion this morning was very interesting, and it raised many questions for me. I hope I can ask them in a way that makes sense to you and to me and to the record.

First of all, I am concerned about this issue of setup time. It has been raised by other witnesses and in our hearings before. I believe that in answering Commissioner Covington you said that setup time for an FSM can run as high as 40 percent, is that correct?

THE WITNESS: On a small run of mail, if you choose to put it on the machine, that's correct. That is my estimate. I have no particular figures to justify that, but it would be my guess if it is a very short run that 40 percent of the time would be charged to setup and takedown.

COMMISSIONER GOLDWAY: When the managers as Postal Service Headquarters in consultation with the engineers decide that a new machine is going to be cost effective, have they figured in the cost of this setup time?

THE WITNESS: Yes, ma'am.

COMMISSIONER GOLDWAY: And they figured in the mix of small runs and large runs?

THE WITNESS: I don't know exactly what they put into it. My guess is they would anticipate that myself and my plant managers would have enough common sense not to run many small runs and we normally do not.

COMMISSIONER GOLDWAY: You normally do not, but --

THE WITNESS: Very seldom.

COMMISSIONER GOLDWAY: But that is one of the answers that we constantly hear for why periodical costs are going up, because that is an ongoing problem, but if you said it isn't a significant problem --

THE WITNESS: It would be a problem on the magnitude of any time you look at a run the shorter the run, the more expensive in terms of allied time, what I would refer to as allied time -- not specifically an LDC-17 but allied time on a machine, because it takes time to set up, set the scheme, and as soon as the run --

COMMISSIONER GOLDWAY: I understand any particular operation, but if you are saying that that doesn't happen very much and in fact the engineers have determined that this is a cost effective machine to install because setup time doesn't take that often and that you use the machines for longer runs most of the time, why do we point to this as a problem for the cost increases in periodical handling?

THE WITNESS: I don't know why we would in terms of if there was specific testimony that says that is the main reason the cost of periodicals is going up. I didn't see that, but to answer the question more fully, now the 1000s and the 881s and you have readers on the 881 and you have OCRs on the 881s and the new 100s have both, it is my

opinion that a lot of the mail will go to the machines now and be run at a longer period of time, reducing that type allied labor and I think it will still come down even a year from now that certain runs will be so short on a scheme, if they are a small scheme, that they will still go to manual.

COMMISSIONER GOLDWAY: You, as I understand it from today's testimony, are given certain benchmarks for cost savings whenever a new machine is put in your region or in a particular plant. You oversee the budgets for the whole region?

THE WITNESS: We are charged --

COMMISSIONER GOLDWAY: You are charged for that and you have to make a savings for that machine.

THE WITNESS: Yes, ma'am.

COMMISSIONER GOLDWAY: Why are costs going up if there are savings?

THE WITNESS: I am not sure that costs are going up. I don't know that.

COMMISSIONER GOLDWAY: Well, we have this chart here that shows us that the costs for periodical handling have been going up steadily from 1990. This is taken from the order requesting the submission of evidence dated March 28th, to which you responded, and it shows periodical costs going up from 1993 through 1999, and I think that the focus of this testimony was to figure out why the costs are going

up.

So you are saying that setup time is not a real problem and it is only a minor problem, and that the machines that you have used are in fact saving money as they have been implemented over the years?

THE WITNESS: My opinion is there is no doubt in my mind that machines are saving money.

COMMISSIONER GOLDWAY: And you have also said, although you didn't have percentages to track any of these costs that were asked, that the problem with poly wrap seems to be going down over this period.

THE WITNESS: It was my opinion in my area based only on the number of complaints I get from the plant managers that it had decreased I have no particular figures on poly wrap.

COMMISSIONER GOLDWAY: And your impression is that the problems with bundle breakage have gone down from '93 to '99?

THE WITNESS: Based on the same assumption.

COMMISSIONER GOLDWAY: And the percentage of skin sack problem has gone down from '93 to '99?

THE WITNESS: I don't remember saying that.

COMMISSIONER GOLDWAY: But what is your opinion on that? Do you think that is about the same or gotten worse?

THE WITNESS: I don't think -- the number of skin

sacks in my opinion has not changed.

COMMISSIONER GOLDWAY: It's not changed?

THE WITNESS: No.

COMMISSIONER GOLDWAY: Well, in reviewing your testimony then, where can we look to see where the costs have gone up?

THE WITNESS: The only way, in my opinion, to look at that, and I am not a cost expert in terms of what costs are related to a particular product, I mainly deal with the productivity of the machines and the service of the mail, but the two areas you would look at are the areas of productivity on the machine and where you work the mail for most efficiency and the allied labor that goes with it.

The allied labor is a huge part of the processing cost and it has gone down.

Productivity overall on a particular machine may have gone down, but there's a lot of factors that deal with that that would still make it more cost effective.

COMMISSIONER GOLDWAY: Would you say that again, please?

THE WITNESS: The particular productivity on a given machine could go down, based on previous years, but it would not necessarily mean that it is not cost effective, given the mail base that you look at.

COMMISSIONER GOLDWAY: I think I need that

explained further.

THE WITNESS: I'll try. If you start off with your base and everything being distributed manually, and you move the good mail off manual into the 881s which we did first, the 881s got the good readable mail, leaving the manual people with average mail and harder mail to work.

As you got to 1000s you moved more of the so-called average mail to the 1000s and their base is set. The 1000s are working good now and the 881s are working excellent mail. The manual are now working harder to work mail. The manual productivity will already start to go down. As you move more of the mail from manual, which is now the harder to work mail, onto the 1000s into the 881s, their base productivity will go down because they are working more of the total percent of mail, but it is not as easy to run mail.

So the bottom line is you were working more mail on the machines which have a tremendous more output than the manual distribution, yet at the same time when you look at two years previous their productivity for that machine may go down because of the fact that they are not working the good mail that they had a pure base two years ago.

COMMISSIONER GOLDWAY: Okay, so what you are saying is we start out with everything manual and as we shift to different machines --

THE WITNESS: Yes, ma'am.

COMMISSIONER GOLDWAY: -- it may well be that certain -- that the manual operators' efficiency is certainly going to go down because it gets more difficult mail, and as you shift mail up the processing stream ladder, then the productivities of these machines may go down as well over time, but overall the productivity per piece for all of the mail should still be going down, otherwise why are you investing in machinery?

My question is why are costs for periodicals going up?

THE WITNESS: I can't answer why costs for periodicals are going up, but I can answer the first part of the question in that looking at the productivity alone for the machines you cannot equate that to cost of working the mail.

The best way to explain that is if I take 100 pieces from manual and it's not real easy mail to work and I put it over on the 1000, the 1000 will work it quicker and four or five times quicker at the minimum, yet it will cause the total productivity for that machine to come down somewhat because it is working harder mail on the machine, but at the same time it is much more efficient, just throughput, to work it on the 1000, so it is possible for all three -- manual, 881, and the 1000s -- as you look at

the machine year to year, given the type mail that is going to them, their productivity could go down based on the type mail they are getting, but at the same time the overall cost to the company would go down because as you take mail out of manual and put it on the machine, regardless of what that productivity is doing, okay? -- you are getting more for your dollar.

COMMISSIONER GOLDWAY: Are you saying then that the kind of mail, flats or periodicals, --

THE WITNESS: Yes, ma'am.

COMMISSIONER GOLDWAY: -- that are coming into your system to be handled are more difficult overall?

THE WITNESS: No, I wouldn't say that. I would say that as the base started, it was all in manual, the easy to work stuff, the good run stuff, the medium stuff, and the really hard to work stuff. As we moved to the machines, when the machines first started, the 881s, the 1000s, they got the good run mail so you wouldn't have to break-up and sit down, and you wouldn't have jams, and you would have a total run on that machine, constant run.

COMMISSIONER GOLDWAY: Okay. But the point is that the costs for handling the mail, on whatever set of machines you have, and manual, combined, should be less.

THE WITNESS: Yes, ma'am

COMMISSIONER GOLDWAY: Than the costs for just

manual.

THE WITNESS: Yes, it should.

COMMISSIONER GOLDWAY: At the end of the day.

THE WITNESS: It should.

COMMISSIONER GOLDWAY: And it doesn't seem --

THE WITNESS: Not productivity, but cost.

COMMISSIONER GOLDWAY: Cost.

THE WITNESS: Yes, ma'am.

COMMISSIONER GOLDWAY: Does that -- and that is my problem. I will give you the benefit of the doubt that you are making the right decisions.

THE WITNESS: I understand your question.

COMMISSIONER GOLDWAY: On productivity and efficiency in the plant. But then why do we get the costs here? And if it isn't polywrap and it isn't bundle sorting, and it isn't bar coding, what should we be looking for to deal with the problem of cost increases?

THE WITNESS: Well, I am sure that as we -- and when we deal with polywrap, we are dealing with jams on the machines, is we improve that, and improve the strapping so we don't bust bundles and have to work them manually. As we improve those systems, which we work with the mailers, the costs will go down. And those are critical things lowering the cost.

The point I was trying to make is that overall

costs can go down and productivity on the machines, which you agree with me, could do down for each type of machine. Why the costs for periodicals specifically has gone up, I can't answer.

COMMISSIONER GOLDWAY: Well, thank you for any interesting discussion.

Chairman, Commissioner LeBlanc, I will leave the questions to you.

CHAIRMAN GLEIMAN: Commissioner LeBlanc.

COMMISSIONER LeBLANC: I guess the great thing about being here as long as I have and listening all day is you get your questions asked. But I need a clarification, when you were responding to Commissioner Goldway, you were not equating -- just clarify for me then, when you were talking about the UPS strike/extra volume, then you come in and you talk about productivity, then you are talking about cost, you are not in any way equating any of that then?

It seems like the squeaking wheel gets the grease here. Whatever happens in your plants, you don't have a set priority. Is it volume, is it productivity? Is it efficiency? Because you said you don't deal with costs. So if you don't deal with costs as far as keeping them down, what is your cost driving effect?

THE WITNESS: Well, I misspoke if I said that. I deal with costs because I have a budget to make.

COMMISSIONER LeBLANC: No, I understand that. But from the standpoint of volume versus, say, productivity, you don't --

THE WITNESS: I strive to get, to make --

COMMISSIONER LeBLANC: I just need clarification. I am trying --

THE WITNESS: No, the point I was trying to make is that bottom line costs and bottom line benefit to the company, in the case of the machines, does not have a direct correlation with the productivity of those machines. And I say that because you can look at the productivity of the two machines, the 881 and the 1000, and that productivity could show a downward trend, yet at the same time, it is more cost efficient to use those machines because you are taking it out of a terrible cost base, which is manual.

COMMISSIONER LeBLANC: I understand, but your total unit costs are still increasing, are they not?

THE WITNESS: Not necessarily, no, sir. Not in my opinion. I think the unit costs would be going down as a whole, for the whole plant.

COMMISSIONER LeBLANC: I will have to check that, but it is my opinion, I believe, after reading if before, that the unit costs are still increasing. And if they are, that seems to be the major dilemma that we are talking about here.

THE WITNESS: Unit costs per piece for the whole plant or for periodicals?

COMMISSIONER LeBLANC: For periodicals.

THE WITNESS: Okay.

COMMISSIONER LeBLANC: So that, you know, that -- and just, a long time, you have been around a long time, obviously done a good job, but there used to be what we used to call non-productive time/equated to cost back in the late '80s, early '90s. That has transferred into other thing. What, in your opinion, if anything, in considered, quote-unquote, "non-productive," or least productive out of all of the things that we have talked about, volume, productivity, costing data? Do you have an opinion on that?

THE WITNESS: What is the least productive?

COMMISSIONER LeBLANC: Yes, sir.

THE WITNESS: I am not sure I can answer that. I am not sure I know what the question is.

COMMISSIONER LeBLANC: Well, I am just trying to look at it -- there used to be non-productive costs, which time caused periodicals costs to go up a long time ago. That was clocking in, clocking out.

THE WITNESS: I would say allied time dealing with periodicals would be the biggest cost driver.

COMMISSIONER LeBLANC: Thank you very much. Thank you, Mr. Chairman.

CHAIRMAN GLEIMAN: Let me just make an editorial comment to start off. The Commission issued an order on March the 28th, and the third paragraph of the order said, "Accordingly, the Commission requests the Postal Service present detailed evidence explaining the causes of the trend in the cost of processing periodicals." And it goes on, there was an attachment to it. The attachment to it, which was referred to by at least one of my colleagues, and perhaps more, is at page 4 of 4, and it shows periodical regular rates. And it shows processing costs going up significantly starting in about 1993, after a downward trend.

Do I understand that you are disputing whether the costs of processing periodicals has gone up?

THE WITNESS: No, I am not disputing it, I don't want why the cost of periodicals is going up.

CHAIRMAN GLEIMAN: Okay. I just wanted to understand that you don't know why.

THE WITNESS: No, sir.

CHAIRMAN GLEIMAN: But you don't dispute that the cost has gone up. Okay.

THE WITNESS: I am not disputing that.

CHAIRMAN GLEIMAN: All right. Next, Commissioner Goldway asked you a series of interesting and important questions and you gave an interesting and important

response, and I just want to make sure I understand what the bottom line on the response is.

You have, if you will, for purposes of discussion, three types of periodicals mail. You have good, medium and bad in terms of processing ability, or capability.

THE WITNESS: Those are my terms, though.

CHAIRMAN GLEIMAN: Well, let's assume for sake of discussion that the total volume was divided equally between those three types, and you had 300 pieces. And your productivity, you don't have any machines in place and your productivity is X. Now, you get a machine, and the first thing you do is you take the most machineable of that mail.

THE WITNESS: Yes, sir.

CHAIRMAN GLEIMAN: The good mail.

THE WITNESS: Yes, sir.

CHAIRMAN GLEIMAN: And you move that to the machine.

THE WITNESS: Yes, sir.

CHAIRMAN GLEIMAN: And if I understood correctly, you threw out as an example, but perhaps as a real number, I don't know, that the productivity of machine number 1, to which you just moved the good mail, is about five times manual productivity.

THE WITNESS: I just threw that out.

CHAIRMAN GLEIMAN: Okay. At the same time, manual

productivity has decreased because you no longer have easy, good mail to process, you just have medium and bad mail. So that has dropped down.

THE WITNESS: Yes, sir.

CHAIRMAN GLEIMAN: So now you have X minus something for the manual mail, and you have got five times that productivity, or 5X, okay. And then you go through the next iteration when you get the next set of equipment in there. You push the best mail to the best machine and when you do that, machine number 1, the productivity goes down from 5X to something less than 5X because it doesn't have quite as good mail as it had before, and at the same time, what is left in the manual processing bag goes down again.

But now you have got two machines, one with -- the newest one with maybe 6X productivity, and the first machines that you got, which had 5X, but now the mail is not so good that is on those, so the productivity has gone down to 4X, and you have got left this bad mail where the productivity was X and it is probably X minus 4 now.

If you do a weighted average, assuming that the volumes are the same for the three categories of mail, your overall productivity has gone up for processing of periodicals, is that not correct?

THE WITNESS: No, I wouldn't say that.

CHAIRMAN GLEIMAN: Can you explain why the overall

productivity -- not the productivity for machine 1, not the productivity for machine 2, and not the productivity for what is left to be processed manually, but the overall productivity of processing periodicals, I would posit has gone up, and you say you are not sure, or you don't agree?

And please explain why.

THE WITNESS: I will try. I won't say I won't agree. I would say that the productivity on -- the last piece of equipment to come in was the 1000.

And it did not get better mail; it got mail that the 881 could not handle. And it had a base.

That productivity for the first year we had it, got a base. The 881 productivity had a lot of the mail that was on the 881 went to the 1000, okay?

And when we freed up the 881, we went to a secondary distribution in many cases, which is a slower distribution than a primary, which we were using. It requires a scheme knowledge in a lot of cases.

It will go down for that reason, and for the reason that we're taking more out of manual to fill up the 881s, that would have been worked -- not worked on the 881s, if we had all good mail to work on it.

CHAIRMAN GLEIMAN: Okay, I think I understand what you just said, but you still hold the position that despite the fact that automated equipment has been introduced, that

the overall productivity for processing periodicals has gone down or may well have gone down?

Because if that is the case, then I think we need to go all the way back to all-manual processing.

I mean, that's the logical conclusion one would draw from your statement.

THE WITNESS: No, I think the overall productivity for all flats as a whole would go up. But per machine, as compared to itself in previous years, it would logically go down.

CHAIRMAN GLEIMAN: Okay, now, then we're -- with that last statement, I won't press it any further, because I think we're now on the same wavelength.

And since you know about productivity but not cost, I won't ask you about costs related to productivity.

But let me ask you a question that's based on your testimony and that of Mr. O'Tormey's. Mr. O'Tormey, on page 18 at line 6 and a few lines thereafter, states: As explained by Mr. Unger, when actual volumes experienced in 1998 did not meet expectations, the Postal Service had difficulty reducing the number of employees.

He then goes on, several lines down, when you get down towards lines 13-15, to say that in the final analysis, available resources were employed effectively to meet the Service's needs of the mailers who benefitted from our

ability to use the additional resources to distribute volumes that exceeded capacity on automated equipment.

In your testimony, where he says you explain, looking at page 12, you say at line 16: Accordingly, we employed these additional resources to distribute volumes which exceeded the capacity available on our flat sorting equipment.

In this way, we significantly reduced the volume of delayed mail from the levels experienced in the prior year.

Question One: You staffed up for something that didn't occur, and you couldn't get rid of the employees quickly. You couldn't shed those costs; is that correct?

THE WITNESS: I wouldn't say we couldn't; I would say we didn't in anticipation that it had not hit yet, that it was still coming, and we were trying to hold on to them because of the way they're contracted in, so we'd have them for the rate, the surge of mail right before the rate increase.

CHAIRMAN GLEIMAN: Would the surge of mail right before the rate increase have been a stunning increase in weekly periodicals or daily newspapers?

THE WITNESS: No, sir, it would have been in Standard A. My reference -- I think Mr. O'Tormey's reference is to service to Standard A, where my reference

deals mainly with periodicals.

CHAIRMAN GLEIMAN: I understand. I just want to make sure we know exactly what type of mail it was that you anticipated coming at Christmastime.

THE WITNESS: Standard A.

CHAIRMAN GLEIMAN: Standard A as opposed to periodicals, okay.

And it say: Accordingly, we employed additional resources to distribute volumes which exceeded capacity available on flat sorting equipment, and then it goes on, as I mentioned before: Significantly reduced volume of delayed mail.

Did you employ in the Southeast, and did the Postal Service employ, more generally, these workers who were brought on in anticipation of an increase in volume, I assume, in the periodicals area, although that's not been established by your testimony or Mr. O'Tormey's, but these additional workers, were they used for these purposes that you and he speak to, just on flats mail?

THE WITNESS: No, sir. In our area, the 3,000 casuals brought in were worked on all classes of mail.

CHAIRMAN GLEIMAN: Okay. I'm concerned, not only about the trend in flats processing, especially in the periodicals area, but also that the slope of the increase, the slope of the trend took a steep tilt towards the upside,

which is -- in 1998, which is what I think you're talking to here, and what Mr. O'Tormey is talking to here.

That you say these people were, at least in the Southeast, used to process all sorts of mail. Do you know whether the costs associated with those people was assigned to periodicals or was it assigned to all different types of mail?

THE WITNESS: I don't know, but I'm going to assume they were assigned to all types of mail. Their work hours would be charged in what area they worked in.

CHAIRMAN GLEIMAN: Periodicals is a relatively small portion of flats, and an even relatively smaller portion of total mail volume.

Is it reasonable to assume that a very small proportion of the cost associated with these additional employees was assigned, at least in the Southeast, to periodicals processing, or do you think a disproportionate number of the employees and the associated costs were assigned to periodicals?

THE WITNESS: No, I wouldn't say it was disproportionate, not.

CHAIRMAN GLEIMAN: Okay, are these employees still around?

THE WITNESS: These particular employees?

CHAIRMAN GLEIMAN: Yes.

THE WITNESS: I don't believe so, no, sir.

CHAIRMAN GLEIMAN: Well, not these particular --

THE WITNESS: You mean casual employees?

CHAIRMAN GLEIMAN: Has the number of employees in whatever category these employees were in -- and you used the term, casual -- has the number of casual employees declined?

THE WITNESS: Yes, sir.

CHAIRMAN GLEIMAN: Okay. Is it back down to the pre-staffing-up in anticipation of volume level?

THE WITNESS: The pre?

CHAIRMAN GLEIMAN: Before you staffed up in anticipation of this volume surge in 1998?

THE WITNESS: To the best of my knowledge, the casual level has never hit the number it hit in 1998 again.

CHAIRMAN GLEIMAN: So it's never gone back down to where it was?

THE WITNESS: I believe that at particular periods of the season, it has gone back down to its normal levels.

CHAIRMAN GLEIMAN: I don't have any further questions. I have lots of further questions, but none to ask you right now.

Is there any followup to questions from the Bench?

[No response.]

CHAIRMAN GLEIMAN: None. That leads us to

redirect then. Would you like some time with your witness?

MS. DUCHEK: Ten minutes, Mr. Chairman.

CHAIRMAN GLEIMAN: I'll tell you what, it's five after 12:00. Why don't we come back at 1:00, and you can have 55 minutes with your witness. We'll finish with this witness and move on to the next one.

MS. DUCHEK: That's fine.

[Whereupon, at 12:05 p.m., the hearing was recessed for lunch, to be reconvened this same day at 1:00 p.m.]

AFTERNOON SESSION

[1:00 p.m.]

Whereupon,

DENNIS R. UNGER,

the witness on the stand at the time of the recess, having been previously duly sworn, was further examined and testified as follows:

CHAIRMAN GLEIMAN: Ms. Duchek?

MS. DUCHEK: Mr. Chairman, the Postal Service has no redirect.

CHAIRMAN GLEIMAN: That being the case, Mr. Unger, that completes your testimony here today. We appreciate your appearance and your contributions to the record, and we want to thank you. You are excused.

[Witness excused.]

CHAIRMAN GLEIMAN: And whoever is in first chair now can call the next witness.

MR. KOETTING: Thank you, Mr. Chairman. The Postal Service calls its next witness, Walter F. O'Tormey.

Whereupon,

WALTER F. O'TORMEY,

a witness, was called for examination by counsel for the United States Postal Service and, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. KOETTING:

Q Mr. O'Tormey, I've handed you a copy of a document entitled Supplemental Testimony of Walter F. O'Tormey on behalf of the United States Postal Service.

This has been designated as USPS-ST-42.

Are you familiar with this document?

A Yes, I am.

Q Was it prepared by you or under your supervision?

A Yes.

Q If I were to ask you to testify orally today, would this be your testimony?

A Yes.

MR. KOETTING: Mr. Chairman, I have two copies of the supplemental testimony of Walter F. O'Tormey, USPS-ST-42, and I would request that it be accepted into evidence.

CHAIRMAN GLEIMAN: Is there any objection? Hearing none, if counsel will provide two copies to the Court Reporter, I will direct that the testimony of Witness O'Tormey be entered into evidence and not transcribed into the record.

[Direct Testimony and Exhibits of Walter F. O'Tormey, USPS-ST-42, were received into evidence.]

CHAIRMAN GLEIMAN: There was no designated written

cross examination in advance of today's hearing. Does anyone wish to designate any written cross examination for this witness? Mr. Levy?

MR. LEVY: Thank you, Mr. Chairman. We would like to designate some answers that were filed after the three-day window.

CROSS EXAMINATION

BY MR. LEVY:

Q Mr. O'Tormey, I am David Levy, for the Alliance of Nonprofit Mailers, and I am going to be handing you documents, two sets of documents, that appear to be your answers to the Alliance's interrogatories Numbers ST42-1 through ST42-13.

A Thank you.

Q And if you were to take a look at them and tell me if in fact that is the case.

A Yes.

Q Were those answers prepared by you or under your supervision?

A Yes.

Q And if you were asked the same questions orally today, would your answers be the same?

A Yes.

MR. LEVY: With that, Mr. Chairman, I am going to hand the two sets to the Court Reporter, and ask that they

be transcribed into the record and admitted into evidence.

CHAIRMAN GLEIMAN: I will direct that the designated written cross examination of this witness be included in the record as evidence and transcribed.

[Designation of Written Cross Examination and Responses of Walter F. O'Tormey, Interrogatories ANM/USPS-ST42-1 through ST42-13, inclusive, were received into evidence and transcribed into the record.]

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS O'TORMEY TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS

ANM/USPS-ST42-1 At page 15, lines 20-21, you state that "By 1998, we were processing about forty percent of the barcoded flat volume in automated operations."

a. Please define the term "automated operations" as you use it here.

b. Under what conditions does the Postal Service consider an FSM that is fed manually be considered an "automated operation"?

c. What functionalities distinguish a "mechanized operation" on flat sorting from an "automated operation"? That is, what step(s) (e.g., added BCR capability OCR capability, etc.) transform a mechanized operation into an automated operation?

Response:

a) In 1998, flat mail processing using the barcode readers (BCR) on the FSM 881 was considered an "automated operation."

b) Non-keying flat mail distribution using the BCR or flat mail optical character reader (FMOCR) is considered an automated operation. Currently, all FSMs are manual feed (the AFSM 100s just now being deployed are auto feed).

c) A mechanized operation utilizes an operator to key address information where as an automated operation utilizes the BCR/FMOCR to read address information.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS O'TORMEY TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS

ANM/USPS-ST42-2 At page 12 of your testimony, you note that periodicals and Standard A flats can have addresses "in various locations and in multiple orientations" and, consequently, such mail must be rotated for address readability in both keying and manual operation.

(a) Please confirm that this observation about the address location, and the need for possible rotation to read the address, have always been true for periodicals and flats. If you fail to confirm without qualification, please explain fully and produce all Postal Service data on which you rely.

(b) Has the address location on periodicals and flats become less standardized since 1989? If so, please explain fully, and produce all Postal Service data on the extent of any such trend.

(c) If the locations and multiple orientations of addresses on flats were essentially as diverse in 1989 as in 1999, please explain how the diversity of locations and orientations of addresses has contributed in any way to the increased inflation-adjusted unit cost for processing periodicals. Please explain fully, and produce all data, studies and other information that would enable third parties to test and verify your explanation.

Response:

a) Although the possible need for rotation of Periodicals and flats to read address information has always existed, the necessity to do so was magnified with the advent of flats mechanized/automated processing. In an all manual environment, addresses were oriented in the same direction on the first handling and maintained that orientation for subsequent handling. However, as described in c) below, the introduction of FSMs and FSMBCR automation magnified the problem of inconsistent address locations.

b) At one point, there were required address locations outlined in the Domestic Mail Manual (DMM). Currently there are "recommended" address locations. In the early 1990's, the Postal Service worked with the industry to identify their preferred

address/barcode locations that would be conducive with industry processes and FSMBCR distribution.

c) During the first distribution (i.e. incoming/outgoing primary) on the FSM, the need to rotate mail pieces is less of an issue and is related to the size of the bundles. The smaller the bundle, the more bundles loaded on the feed table, the more flats requiring rotation. However, during the second distribution (i.e. incoming secondary) either on the FSM or manually, flats to be distributed from the primary distribution have come from four separate consoles and/or several different machines. It is conceivable that every flat during the second distribution could require individual orientation.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS O'TORMEY TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS

ANM/USPS-ST42-3 At page 11, you discuss the problem of bundle breakage.

a. Have bundles of periodicals been breaking with increasing frequency since 1993? If so, please explain fully why more bundles are breaking, and produce all data, studies and other information that would enable third parties to verify the extent and cause(s) of any trends in the frequency of bundle breakage since 1993.

b. Are bundles of periodicals submitted to the Postal Service on pallets more likely to break than bundles submitted in sacks? Please explain fully any affirmative answer, and produce all data, studies and other information that would enable third parties to test and verify your response.

c. If the frequency of bundle breakage has been relatively constant between 1993-1999, please explain how this consideration has contributed to the increased inflation-adjusted unit cost for periodicals. Please produce all data, studies, and other information that would enable third parties to test and verify your response.

Response:

a) I am not aware of any data or studies that state that bundles have been breaking with increasing frequency since 1993. However, with increased mechanical handling, more polywrapped flats in bundles, glossy covers, small Periodical bundles, and skin sacks, I would suspect that breakage has increased.

b) It has been my experience that bundles in sacks are more likely to break during handling then bundles on pallets. The current MTAC group has also found this to be the case.

c) N/A

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS O'TORMEY TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS

ANM/USPS-ST42-4 At page 17 of your testimony, you state that a contributing factor to the downward trend in FSM operational productivity was the reduction in the number of experienced supervisors who chose to retire during an internal reorganization.

a. In which years did the retirements of experienced supervisors from this internal reorganization occur?

b. How many experienced supervisors retired in each year in this period?

c. Approximately what percentage of experienced supervisors retired during each year in this period?

d. By FY 1998, to what extent had the Postal Service recovered from the loss of experienced supervisors that occurred as a result of the internal reorganization?

e. Please explain how the loss of experienced supervisors on account of reorganization contributed to the increase in the unit cost of periodicals in FY 1997-98 time frame.

f. Please produce all data, studies, and other information that would enable third parties to verify your response.

Response:

a) 1992/93

b) There were 11,249 fewer Field Career Supervisors/Managers in 1993 than there were in 1992.

c) Approximately 26% of the Field Career Supervisors/Managers were off the rolls in 1993 as compared to 1992.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS O'TORMEY TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS

d) From 1993, mail volume continued to grow and the Postal Service continued to deploy new processing equipment. However, by 1998, there were only 4,572 Field Career Supervisors/Managers over the 1993 level, still more than 6500 fewer than in 1992.

e) In addition, during this time the floor supervisor's span of control increased while the level of experience had decreased. In the flat mail operation, it was not unusual for one supervisor to have responsibility for four FSMs, or have additional duties other than FSM supervision.

f) The number of Field Career Supervisors/Managers on the rolls can be found in the Postal Service's annual reports.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS O'TORMEY TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS

ANM/USPS-ST42-5 At pages 12-13 of your testimony, you discuss problems with processing periodicals on FSMs that are equipped with OCRs (in addition to BCRs).

a. Has the deployment and utilization of OCRs on FSMs contributed to the observed decline in productivity of FSMs and the increased unit cost of periodicals?

b. Please explain fully any affirmative answer to the previous part of this question, and produce all data, studies, and other information that would enable third parties to verify your response.

Response:

a) Yes.

b) Although the productivity on the FSM 881 while operating in the FMOCR mode is similar to the BCR mode, it is about 30% higher than when operating in the keying mode. Nevertheless, utilization of the FMOCR can contribute to the overall decline. For example, with the FMOCR: (1) rejects must be handled a second time on the FSM in the keying mode; (2) the problem flat mail pieces highlighted by witness Kingsley can contribute to increased costs; and (3) shorter keying runs increase costs. Witness Unger's testimony provides an explanation of this "misimpression of a decline in efficiency" with the introduction of the FMOCR.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS O'TORMEY TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS

ANM/USPS-ST42-6 At several places in your testimony you allude to an existing *shortage of flat sorting capacity*; e.g., "given capacity limitations" (page 11, line 21); "our constrained FSM 881s" (page 16, line 3); "the AFSM 100 will provide much needed additional capacity" (page 21, line 14).

a. Approximately when did the Postal Service first experience a shortage of processing capacity with respect to its flat sorting machines?

b. Did managers of the plant and distribution centers request more flat sorting capacity from headquarters? If so, when? If not, why not?

c. Did headquarters request top management and/or the Governors to authorize purchase of more flat sorting capacity? If so, when? If not, why not?

d. Were prior requests for acquisition of FSMs (either the FSM 881 or the FSM 1000) reduced or curtailed by top management or the Governors? If so, when to what extent, and for what reason(s)?

e. In terms of the capacity of FSM 881s (or FSM 1000s), approximately how many additional machines would have been required in FY 1998 to have *eliminated the capacity shortage to which you allude*?

f. What prevented the Postal Service from acquiring more flat sorting capacity before, say, 1993-94, so as to have materially alleviated (or even eliminated) the shortage of capacity in 1998? Please discuss fully all reasons why the Postal Service finds itself operating with such a pronounced shortage of capacity for mechanized sorting of flats, and produce all data, studies, and other information that would enable third parties to test and verify each such reason.

Response:

(a) Initially, as we mechanized flat mail processing, there were capacity constraints in many flat processing operations. As the flat mail volume grew throughout the 1990s, and we began incoming secondary and automated processing, it was difficult to eliminate capacity constraints. Incoming secondary mail has traditionally been processed manually at our delivery units. In our efforts to

mechanize, and then automate flat mail distribution, we continually added short barcode mail runs and incoming secondary zone runs to the FSM 881 to fully utilize the machines. First, incoming secondary zones were added as keying operations and later as barcode operations. There was only a small difference between the keying productivity of the incoming secondary FSM 881 processing and manual processing at the stations, so a more efficient automated FSM was required to process additional volume. With the availability of the Automated Flat Sorting Machine (AFSM) 100, however, the savings from higher productivity are much more substantial. Management requested funding approval from the Board of Governors in June 1998 to purchase 175 AFSM 100s to meet our additional processing needs.

(b) Yes in 1993.

(c) Yes. The Board of Governors authorized funding to purchase 175 AFSM 100s to meet additional capacity needs in June 1998. Also, the Board of Governors approved funding to purchase 102 FSM 1000s (in April 1994) and 240 FSM 1000s (in December 1996). The FSM 1000 is used to process mail that falls outside of the FSM 881's specifications and was previously considered non-machineable.

(d) I am not aware of any FSM acquisition requests to the Governors being reduced or curtailed.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS O'TORMEY TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS

(e) The number of additional machines required would depend on the level of sort attempted. This level of sort could be to cover all distribution except additional incoming secondary (i.e. outgoing and incoming primary), or to add incoming secondary capacity. However, during this period, evaluating current capacity needs was complicated by space limitations in some facilities, the fact that the FSM 881s were older equipment designs, and the future deployment of a yet to be specified next generation flat sorting machine (NGFSM) that would be much more efficient.

(f) Please see ANM/USPS-T10-40, and NNA/USPS-T10-8.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS O'TORMEY TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS

ANM/USPS-ST42-7 Please produce all requests from headquarters to top management or the Postal Service's Governors since FY 1993 for authority to purchase more flat sorting capacity.

Response:

Attached are briefing sheets used to request Board of Governor approval for flat sorting equipment purchases. Included are:

Next Generation FSM (AFSM 100)	June 1998
FSM 1000 Barcode Readers	December 1997
Flat Mail Optical Character Reader	May 1997
240 Flat Sorting Machine 1000	December 1996
Flat Sorting Machine 1000	April 1994

In addition, the Capital Investment Committee (CIC) recently approved the Phase 2 purchase of 363 AFSM 100s.

ATTACHMENT
ANM/USPS-ST42-7
PAGE 1 OF 5

BRIEFING SHEET

NEXT GENERATION FLAT SORTING MACHINES

BOARD OF GOVERNORS MEETING
JUNE 1-2, 1998
OPEN SESSION

PRESENTER: William J. Dowling, Vice President of Engineering

ISSUE/PURPOSE:
This briefing requests approval of capital and expense funding to cover the purchase and installation of 175 Next Generation Flat Sorting Machines. Advances in sorting technology enable these new machines to process flat mail more efficiently than our existing inventory of Flat Sorting Machine (FSM) 881s. While our future plans are to replace the existing fleet of outdated FSM 881s with these new machines, this initial purchase will increase our flats distribution capacity without replacing existing machines. It will allow the Postal Service to extend automation capability and benefits to flat mail currently sorted manually.

BACKGROUND:
The Postal Service receives about 36 billion pieces of flat mail per year consisting primarily of large envelopes, newspapers, catalogues, and magazines. About 40 percent of this mail is presorted by our mailers and can be sent directly to the carrier for delivery. The remaining 60 percent requires processing, which is accomplished either manually or in a mechanized manner using the FSM 881 or FSM 1000. The FSM 881 is the more productive machine and it can handle about 75 percent of the flat mail that must be processed. The FSM 1000 can handle most of the remaining mail, consisting of pieces that are either too thick, stiff, or flimsy to be processed on the FSM 881.

Our initial purchase of existing flat sorting machines was made in 1981. Several subsequent purchases have provided us with our current inventory of 812 FSM 881s. Various enhancements have been made to these machines including the addition of barcode readers. We are now in the process of retrofitting our entire inventory with optical character readers. However, the FSM 881 still must be fed mail manually and the range of additional enhancements that can be considered is very limited. The Next Generation Flat Sorting Machine will provide us with productivity enhancements inherent in a newer technology. The new sorter will be able to process a slightly wider mailbase than the FSM 881; however, the FSM 1000 will still be needed to process flats that are not within the next generation machine's specifications.

CURRENT STATUS:
Machines from three suppliers have been modified to meet U.S. Postal Service requirements. We are currently conducting a competitive test to determine the machine that will best meet our processing needs.

BENEFITS:
The Next Generation Flat Sorting Machine has the potential to directly reduce labor hours associated with flat mail processing and to enhance our ability to meet service goals. This machine has several features not available on the FSM 881s which will contribute to enhanced productivity. It is equipped with an automatic feeder that inducts flat mailpieces into the machine for automated processing, a tray take-away conveyor with adaptability to robotic handling, and on-line video encoding for nonreadable flats.

FINANCIAL SUMMARY:
The Decision Analysis Report justifies a capital investment of $434.492 million and an expense investment of $11.48 million (for a total of $445.972 million) to cover purchase and installation of 175 Next Generation Flat Sorting Machines. The net present value will range from $408.36 million to $800.487 million, and the return on investment will range from 30% to 45% over a 10 year operating period.

BOARD ACTION REQUESTED:
Approve $434.492 million in capital funds and $11.48 million in expense funds for purchase and installation of 175 Next Generation Flat Sorting Machines.

REPORT ON FSM 1000 BARCODE READERS

BOARD OF GOVERNORS MEETING
December 8-9, 1997

Open Session

PRESENTER:

William J. Dowling
Vice President
Engineering

ISSUE/PURPOSE:

This briefing provides information about the addition of Barcode Readers to all Model 1000 Flat Sorting Machines and requests capital and expense funding to cover their purchase and installation. The barcode reader will supplement the existing manual keying operation on the Model 1000 with an automated processing capability for those mailpieces that are prebarcoded by our customers. This purchase will allow the Postal Service to extend automation capability and benefits to the Model 1000 mail base.

BACKGROUND:

Model 1000 Flat Sorting Machines are used to process what was previously considered non-machineable flat mail in a mechanized mode. With the addition of a barcode reader, prebarcoded flats can be processed in a semi-automated manner. In this mode, the operator will place a barcoded flat mailpiece directly into the machine without having to first manually key in destination information (e.g., zip code).

CURRENT STATUS:

The barcode reader is being developed in two phases. Funding in the amount of $2.797 million was previously approved by the Vice President of Engineering to cover Phases I and II. Phase I ended in June 1997 following a successful two week prototype test at the Syracuse Processing and Distribution Center. Phase II will conclude in late November 1997 following successful completion of a three week field test at the Tampa Processing and Distribution Center.

BENEFITS:

Additional automated processing capability for flats will result in lower processing costs, enhanced processing capacity, increased sortation accuracy, and improved service. The addition of barcode readers to the Model 1000 will allow us to extend the time proven benefits of automation to more mailers and a broader base of mail, including newspapers and catalogs.

FINANCIAL SUMMARY:

The Decision Analysis Report justifies a capital investment of $32.141 million and an expense investment of $1.960 million (for a total of $34.101 million) to cover purchase and installation of barcode readers on all 346 Model 1000 Flat Sorting Machines. The net present value will range from $11.6 to $78.8 million, and the return on investment will range from 20% to 61% over a 10 year operating period.

BOARD ACTION REQUESTED:

Approve $32.141 million in capital funds and $1.960 million in expense funds for acquisition and installation of barcode reader systems on all Model 1000 Flat Sorting Machines.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS O'TORMEY TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS

ANM/USPS-ST42-8 Please produce all communications from top management or the Postal Service's Governors to Postal Service headquarters employees since FY 1993 concerning any requests for authority to purchase more flat sorting capacity.

Response:

Requests for capital investment are made to the Postal Service's Board of Governors (BOG) during their monthly meetings. I am not aware of any formal correspondence from top management or the BOG to Headquarters employees concerning requests for authority to purchase more flat sorting machines. However, I do know that each of the requests for flat sorting equipment listed in ANM/USPS-ST42-7 was approved by the BOG. In addition, the Capital Investment Committee (CIC) recently approved the Phase 2 purchase of 363 AFSM 100s.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS O'TORMEY TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS

ANM/USPS-ST42-9 Please produce all data, studies, and analyses quantifying the "negative effect on reported FSM productivity" resulting from the development described on lines 13-20 of page 17 of your testimony.

Response:

The effect of aligning allied labor costs with the associated direct distribution varied considerably from site to site. There are no studies or analysis that I am aware of which quantify the effect on FSM productivity. In the future however, with the deployment of the AFSM 100, we plan to establish new MODS operation numbers to track allied labor associated with the AFSM 100.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS O'TORMEY TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS

ANM/USPS-ST42-10 Please produce all data, studies, and analyses quantifying the effect on reported FSM productivity resulting from the developments described in your testimony at page 17, line 21, through page 18, line 15.

Response:

There are no studies or analysis that I am aware of which quantify the effect of the 1998 Fall Plan on FSM productivity.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS O'TORMEY TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS

ANM/USPS-ST42-11 In your testimony on page 13, lines 9 through 13, you discuss the issue of decisions undertaken by managers that "incur cost to avoid missorting mail, which can result in delay". Also, on page 18, lines 6 through 8, you address the issue of USPS' difficulty in reducing the number of employees during the fall 1998 mailing season. For the period from 1989 through 1999, please provide annual volume, work hour and productivity data for:

a. Flats sorted using automated (BCR/OCR) equipment

b. Flats sorted using higher level employee keying input.

c. Flats sorted manually.

Response:

	Volume	Workhours	Productivity
a) FY 99 FMOCR	5.75 B	8.1 M	710
FY 99 FMBCR	2.7 B	3.8 M	720
FY 98 FMBCR	5.1 B	6.4 M	800

b) We don't track keying by level, however, keying data are as follows:

FY 99 Keying	7.85 B	16.9 M	465
FY 98 Keying	12.1 B	21.45 M	565

c) FY 99 Manual	6.1 B	15.1 M	410
FY 98 Manual	7.8 B	17.0 M	460

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS O'TORMEY TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS

ANM/USPS-ST42-12 What policy guidance has Postal Service management provided to employees in the field to help them make tradeoffs between (1) using less efficient higher cost methods for sorting flats (e.g., manual sorting) and (2) using the most fully mechanized and automated equipment resources? Please produce copies of all guidelines, memoranda, and other documents setting forth or reflecting such policy guidance.

Response:

In March 1998, the Postal Service distributed the Strategic Improvement Guide for Flats Processing, Publication 128 (USPS-LR-I-193), and updated the document in September 1999. This document provides guidelines and is the primary reference tool for field employees for decision making in flat operations. The Strategic Improvement Guide for Flats Processing covers such issues as equipment utilization, managing FSM operations, flat mail flows, and decentralization.

As we begin deployment of the AFSM 100, the field has been provided with a "Flats Processing Cost Comparison" tool. This tool is intended to provide an easy to understand representation of the costs associated with the various handling required to sort flat mail based on which machine type is used. It assists with decision making to determine the most efficient method for flat mail processing.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS O'TORMEY TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS

ANM/USPS-ST42-13 Does the Postal Service record the volume of mail received that is compatible with mechanized or automated flat sorting equipment?

a. If so, what amount and percentage of such mail is actually processed using mechanized or automated equipment?

b. For the period 1989 through 1999, please provide annual data showing the total amount of machine-compatible flat mail that was diverted to less efficient sorting methods because flat volumes exceeded the capacity of mechanized or automated flat sorting capacity.

c. Please produce (or cite, if publicly available) documents sufficient to verify your responses to parts a and b.

Response:

(a)-(c) The Postal Service does not record the volume of flats that is compatible with sorting equipment; we record the volume of mail that has been distributed manually or on the flat sorting equipment.

CHAIRMAN GLEIMAN: Is there anyone else? Excuse me, I'm sorry --

MR. VOLNER: Yes.

CROSS EXAMINATION

BY MR. VOLNER:

Q I have shown you two copies of documents designated as PostCom-ST42-1 and -2, which purport to be your responses to interrogatories propounded to you by the Association for Postal Commerce.

Do you recognize the documents?

A Yes, I do.

Q And were the responses prepared under your supervision or by you?

A Yes.

Q And if I asked you those questions orally today, would your answers be the same?

A Yes.

MR. VOLNER: Mr. Chairman, I am going to supply those two copies of the documents to the Reporter with the request that they be incorporated into the record as written cross examination of the Association for Postal Commerce.

CHAIRMAN GLEIMAN: The material in question is received into evidence and is to be transcribed into the record.

[Designation of Written Cross

Examination and Responses of Walter F. O'Tormey, Interrogatories PostCom-ST42-1 and PostCom-ST42-2 were received into evidence and transcribed into the record.]

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS O'TORMEY TO INTERROGATORIES OF ASSOCIATION OF POSTAL COMMERCE

POSTCOM/USPS-ST42-1 Please refer to Page 21 of the "Strategic Improvement Guide for Flats Processing" (LR-I-193) where it states, "Ideally, all FSM 881 machineable flats should be processed on the FMOCR. However, depending on the mailbase being processed, the reality is that only 70% to 80% of the non-barcoded flats inducted will be read by the FMOCR, which means that 20% to 30% of the flats inducted will not be read by the FMOCR." Please confirm that this FMOCR read rate for non-barcoded, machineable flats is consistent with your experience. If confirmed provide any data of which you are aware supporting this conclusion. If not confirmed, please explain fully.

Response:

Not confirmed. The FMOCR read rate has improved. Presently, I know the read rate for the FMOCR is approximately 80-90% depending on the mailbase processed.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS O'TORMEY TO INTERROGATORIES OF ASSOCIATION OF POSTAL COMMERCE

POSTCOM/USPS-ST42-2 *Has the deployment of FMOCRs that you discuss at* page 9 of your testimony increased the productivity of FSM 881?

Response:

No. Although the productivity on the FSM 881 while operating exclusively in the FMOCR mode is about 30% higher then when operating in the keying mode, the overall productivity of the FSM operation did not increase. See response to ANM/USPS-ST42-5.

DECLARATION

I, Walter F. O'Tormey, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Walter F. O'Tormey

Dated: 5-8-00

CHAIRMAN GLEIMAN: Anyone else?

If not, that brings us to oral cross examination. Five parties have requested oral cross examination: The Alliance of Nonprofit Mailers, The Association for Postal Commerce, the Coalition of Religious Press Associations, Magazine Publishers of America, and the McGraw Hill Companies.

Is there any other party that wishes to cross examine? Are we going to change the order today, this afternoon? No? We are going to stick with the regular order then.

In that case, Mr. Levy, on behalf of the Alliance of Nonprofit Mailers, you can start when you are ready.

MR. LEVY: Thank you, Mr. Chairman.

CROSS EXAMINATION

BY MR. LEVY:

Q Mr. O'Tormey, would you turn to page 14 of your prefiled testimony?

A Yes, I have it.

Q At the bottom two-thirds of that page, page 14, you discuss FSM-881 productivity. Correct?

A Correct.

Q And on lines 12 to 14 appears the following sentence: "As the FSM-881 aged and received new modifications, maintenance requirements were increased and

more of the maintenance window was utilized."

Would you define what you mean by the maintenance window in that sentence?

A All our equipment receives daily preventive maintenance. There is weekly preventive maintenance. There is quarterly preventive maintenance, and what I was saying there, as we modified the equipment it requires more preventive maintenance on a daily basis.

For an example, you regularly had a machine that was a mechanized machine with keying. As you added a bar code reader, you have added a daily maintenance to check to make sure your bar code reader is synchronized and can read bar codes. You run test decks.

As you modify and add an optical character reader, you have now an interface with a computer system with a mechanized system, so now you have a timing on a sortation part of the machine, you have timing on your computer to read the addresses because it is an optical character reader, so you have added daily maintenance to your operations and you have lost window.

Q My question was slightly different though.

Was is a maintenance window? Is it a specified interval of time that is an amount of time budgeted each day for maintenance?

A That is correct.

Q And what was the budgeted maintenance window for the FSM-881 in 1983 -- I'm sorry, 1993?

A Before you added bar code readers and then an optical character reader your daily preventive maintenance was approximately one hour a day on an 881.

Q Was that the budget or was that the actual average?

A That is an actual hour. What you do is you take the recommended routine for maintenance from the vendors to keep it in an optimum performance. You take their routine. You do the workload. You estimate how much time it takes to do for electronic technician or a mail processing mechanic. It comes out on an average for an 881, one hour.

As the machine is modified, the vendors add additional maintenance requirements to that piece of equipment that then must be performed on a daily basis.

Q I'm sorry. I am not sure if my question was clear. What was in 1993 the average amount of time spent maintaining the FSM-881 in actual practice?

A I said it was an average of one hour at the very beginning, and then I broke it down. As we added, that would also increase to it.

Q Sixty minutes?

A Sixty minutes.

Q And does the Postal Service maintain data on how

much time was actually spent maintaining the FSM-881?

A Yes. There is a NIMICS, a National Inventory Maintenance Information Control System, that provides the daily maintenance by machine, what parts are replaced, and your inventory control of spare parts.

Q In 1993 out of the 24-hour day then one hour exactly, is there a reason why the actual maintenance happened to come out to an hour rather than something more or less than that?

A More or less? I would say that's what the vendor recommended for the routines on the machine. I am sure a maintenance person could go and specifically tell you much was spent by for the sortations, the fingers on the main belts, and how much on the keying pad, how much on the feed part. They could break it down to a fine detail to tell you.

Q If we looked at the NIMICS -- could you spell that acronym, please?

A N-I-M-I-C-S.

Q If we looked at the NIMICS for 1993, we would see that the number, actual average number, for maintenance for the FSM-881 is exactly 60 minutes.

A NIMICS records what you do for maintenance by machine and any replacement parts in anything you have to do to that machine. The preventive maintenance is spelled out

at the very beginning and it says one hour.

The NIMICS system would tell you how much was actually spent on that piece of equipment.

Q And for 1993 NIMICS said 60 minutes or something different?

A The preventive maintenance window was one hour. They could go in and tell you on this machine today it took you 52 minutes. The following day it could be an hour and 10 minutes. They would tell you what they did and what they had to replace.

There is a difference between a routine that is scheduled for a maintenance person and what they actually do, depending on what was accomplished that day.

Q Between routine maintenance and replacement of parts. Was the total 60 minutes in 1993 or was it something more or less?

A I am saying the preventive maintenance window was approximately 60 minutes per machine per an 881 in 1993.

Q And in 1993 all of that window was utilized?

A I would have to get the records, but I would imagine so.

Q You don't know?

A I don't keep track of each individual machine and what was spent on the machine.

Q Is it possible that in 1993 less than 60 minutes

was actually utilized, on average?

A It is possible. I believe it was probably around an hour though.

Q Does the Postal Service have any data or -- excuse me -- have you seen any data showing the extent to which actual maintenance time varied from the NIMICS in 1993?

A No, I have not.

Q Did you ask if you --

A I look at it as a national number, and look at it at a national level and see what operating window I have after maintenance gets what is needed to keep the machine at optimum performance.

Q So the answer to my question is yes or no?

A I don't look at individual machines on a daily basis on maintenance window.

Q Do you look at any national evidence as to what portion of the 60-minute window was actually utilized in 1993?

A No.

Q Did you try to see if such records or data existed?

A It existed.

[Pause.]

Q Yes?

A I answered it.

Q I'm sorry, I didn't hear.

A I said it existed. Can you please rephrase the question if you have another question or if you want to add to it, because I thought I answered the question.

Q Okay, so records existed that would show the extent to which actual maintenance, on average, differed from this 60-minute target?

A Yes.

Q But you didn't consult them to determine to what extent the actual varied from the target for 1993?

A No, I did not.

Q In 1999, what was the maintenance window target?

A On 1999?

Q Yes.

A After all the modifications to the machine?

Q Yes.

A You're up close to four hours on a daily maintenance window on an 881, because you've now added a PC or a personal computer complex. You've now added an optical character reader.

You have now added a bar code reader. You have now added an image acquisition module, and those all must be maintained on a daily basis.

Q And what portion of that four-hour window in 1999 was actually used for maintenance, on average?

A My understanding is real close to four hours.

Q Now, the 1999 situation, as you pointed out, represented an 881 with a lot more functionalities than a 1993, right?

A That's correct.

Q And those functionalities were presumably added so that the mail could be processed faster, right?

A Faster, also cheaper.

Q Now, did the additional maintenance between 1999 and 1993 outweigh the faster or cheaper benefits of the additional equipment?

A Yes. That's put into your decision analysis when you look at what your daily operating costs are going to be.

There is going to be addition in your maintenance craft. There is going to be additional in the maintenance craft between electronic technicians and mechanics, and the savings will come out of your clerk craft area.

And they far outweigh the cost that you are going to add for the maintenance.

Q Let me ask it in a slightly different way: So, is what you're saying, if I understand correctly, that the benefits of the additional equipment in terms of either faster processing or cheaper processing, outweighed the costs of the additional maintenance that was required?

A That is correct.

Q Would you turn to page 14, line 19 of your testimony.

Starting on 19, there's a paragraph that talks about shorter runs.

[Pause.]

A Yes?

Q And the thrust of that paragraph is that shorter keying runs resulted in additional work hours for certain functions; is that correct?

A That's correct.

Q Did the additional work hours for those functions outweigh the savings, cost savings from bar-coding, from performing the automated functions, as opposed to -- I'm sorry, let me start that again.

Did the additional functions required by the shorter keying runs produce costs that outweighed the benefits of the automated operation?

A No. There was a savings. As the bar-coded volume increases, you have a bar code reader and you have an OCR. As you get more bar codes in there, you get savings.

The savings comes in the clerk craft. That is significant.

Also, we have a labor agreement that we've negotiated that when we add an optical character reader to a piece of mechanized equipment, you're able to use a lower

level employee, which is called a mail processor.

So there is cost savings on the labor side on the work hour with that.

The add to that is that you have maintenance, additional maintenance because you've added more complexity to that piece of equipment on the maintenance side, but overall, it's a benefit to the mailers and to us, because we can handle more product more efficiently.

And my sentence in there says as you get more bar-coded runs increase, you get savings.

Q So, notwithstanding the additional functions resulting from the shorter keying runs, one would have expected that between 1993 and 1999, the advent of these automated functions should have reduced the total unit costs of processing mail?

A You expect to have a reduction in that part of the distribution. The product line moves through a very complex part of the Post Office.

You have to go through acceptance, you have to go through the prep, you have to go through a distribution, you have to go through the transportation, you have to go through the delivery.

If all other things are held constant, then you would expect to have the savings. But those things change; they're very dynamic.

Q But, for the distribution function itself, the answer to my question is, yes, you would expect the costs to go down per unit, on balance?

A I would expect the costs to go down. You're making an investment on this technology. You would expect to get the savings.

And as Mr. Unger testified earlier, he gets a hit for that savings on that piece of equipment.

Q Okay, thank you. Would you turn to page 15 of your testimony?

A Yes?

Q On lines 7 through 9, you talk about there being for some period, an insufficient volume of bar-coded flat mail available to warrant separation from non-bar-coded mail during mail preparation and distribution; do you see that?

A Yes.

Q During that period, was it more efficient for the Postal Service to apply automated processing of the bar-coded mail than to process it manually?

A Let me -- if I understand your question, you're asking is it more efficient to process bar-coded mail at that time, or?

Q During the period that you're describing on lines 7 through 9, when there was insufficient bar-coded mail to warrant separation.

Was it more efficient to process the bar-coded mail through bar code readers than to process it manually?

A No, because what we did was, we took all the machineable flats and tried to do a separation that you would take advantage of here's bar-coded mail, which you can use a Level 4 mail processor on.

For non-bar-coded, you then have to provide a keyer, which is a Level 5. If you're doing incoming secondaries, you're applying a Level 6 keyer, because of the memory items and the scheme knowledge that the employee is expected to have.

Q So during that period --

A So --

Q I'm sorry, I didn't mean to cut you off if you still have more.

A Yes, please, let me finish. On a manual case, you're using a distribution clerk, Level 5, with or without scheme knowledge, to sort the mail.

So, in order to make the most efficient use of our network, we would have preferred to have a critical mass of bar codes that you could then feed them through the bar code reader with a Level 4, take the rejects out from that and either key them with a Level 5 -- and if it was an incoming secondary, it would be a Level 6 -- versus the manual with the productivity rate and working at a Level 5.

Q Did you, in fact, during that period, follow that procedure?

A Yes. We had sent out instructions to do that, and that's what I was referring to in my testimony. We did not have sufficient bar-coded mail within that, and it caused us to do other things.

Once you hit a critical mass and it's very easy to separate, you get efficiencies of the system.

Q Following that procedure you've just described, during the period when there wasn't enough bar-coded mail to separate, did that produce higher costs than had been the case in 1993?

A If you went to the trouble of separating the bar-coded from non-bar-coded and a preponderance of your mail is non-bar-coded, to get the minimal amount of bar codes, it would cost you. It would be inefficient.

It would be more efficient to take all that mail and just key it through the machine.

Q More efficient or more inefficient?

A More efficient.

Q And the Postal Service presumably would have followed what appeared to be the most efficient course at any time, given its mail mix and its available equipment?

A That is correct.

Q So there is no reason why the difficulties with

automation should have increased the cost per unit of processing mail above the levels, average levels that would have existed during the manual keying error?

A Manual keying area was 1988-89 through the mid-90s, so if I remember the chart, seeing so much data recently, remembering the chart, if I remember correctly, the periodical costs were lower than Standard A, and the cost then went down as we were deploying that mechanized equipment, and we now have the issue of how do we address the costs that are going on the upside now where periodicals and Standard A are coming together on the flat cost side.

So, yes, that's kind of the trend that has occurred over the last ten years.

Q But the Postal Service would never knowingly select a higher method of processing mail than a lower-cost method? I mean that in terms of overall costs.

A No. We're trying to be the most effective provider of service to our customers.

Q So if at some point during the 1993 to 1999 era, you found that processing mail in a more automated way produced higher unit costs than processing it during -- processing the mail in a less automated way, you would have chosen the less automated method?

A I think we would have looked at the whole acceptance, all the way through, and not everything is held

constant through there.

I think you have dynamics that go in from makeup to pallet loads to skin sacks to drop ship to different points.

You would have to hold everything constant to do a complete analysis like that, I would think.

Q But if your complete analysis showed you that a higher tech method of processing mail produced higher unit costs for everything than a lower tech method, if you were rationally managing, you would have chosen to use the lower tech method for that time period; wouldn't you?

A I think that the technology for just the distribution of that product line is very efficient. And we went to that way. We bought the equipment, we invested capital dollars, and we added the bar code readers, we added the optical character readers, and then we added the Flat Sorting Machine 1000.

Q Well, did all of that equipment cause an increase in the total cost of periodicals mail or a decrease, all other things being equal, like inflation?

A If all other -- I don't know. I think the economists or someone in finance could give you the exact costs in the cost pools and so forth.

Operationally, I'm saying it's more efficient for me in the distribution process to use the automated

equipment.

Q As an operational expert, do you believe that the automation efforts of the Postal Service for periodicals mail between 1993 and 1999, increased the total units costs of periodicals mail or decreased it?

A I think it would decrease it.

Automation would decrease the cost.

Q All right. Would you turn to your page 17 of your testimony? There is a paragraph number 4, beginning on line 7, that talks about effect of reorganization.

A Yes.

Q And there you are discussing the fact that a number of experienced supervisors retired during an internal reorganization.

A That's correct.

Q Were those supervisors limited to supervision of periodicals mail or were those -- would the supervisors retired during the period also include supervisors who supervised other classes of mail?

A There were supervisors that supervised all classes of mail, different operations, and also there were supervisors that supervised other supervisors, and there was also people that retired that were industrial engineers and support people. So it crossed all functions, all skills.

Q And all classes of mail?

A Correct.

Q And when did the bulk of the retirements occur?

A 1993.

Q During the entire year of some part of the year?

A I believe Mr. Runyon joined us in July of 1992 and the reorganization took effect through various levels, headquarters, the old regions, and the Post Offices over probably a year. So those retirements occurred at different levels over a period of time.

Q But, at any rate, the unusual bulge in retirements was finished by the end of fiscal year 1993?

A The bulk, I would say.

Q Well, what percentage of above normal retirements continued in 1994?

A I believe there was just your average attrition at that time. You had your bulk go in 1993.

Q And in years after 1994 were just average attrition?

A That's correct.

Q Now, I would like to direct your attention to one of your interrogatory answers, which is the answer to ANM question ST-42-7, and that is the answer to which you attached some briefing sheets to the Board of Governors. ST-42-7.

A Okay. I have the page.

Q And I want to focus on the attachments, but I want to do them in reverse chronological order, so I would like to start with the last one which is the FSM 1000, and the document is dated April 4th to 5th, 1994. Do you see that?

A Yes.

Q Now, this was a document presented to the Board of Governors by the Postal Service on or about April 4th, 1994, is that correct?

A That's correct.

Q And it was an attempt to justify a purchase of -- or funds authorization for purchasing the FSM 1000, is that correct?

A That's correct.

Q And that request was successful, the Board granted the authority?

A That's correct.

Q And if you would look at the last multi-line paragraph in the page, there is a projected savings with a net present value of $160 million. Do you see that?

A I see that.

Q And a projected return on investment of 69.4 percent, do you see that?

A I see that.

Q Now, I want to focus on the 69.4 percent figure, is that an annual return or a total return over the life of

the investment?

A That is a return on investment over 10 years. The savings are captured in the first year and the savings are worked out over 10 years. As you heard earlier, Mr. Unger's testimony, he gets a budget hit when he receives that piece of equipment for that particular facility, and it is then -- those work hours are spread on his budget hit over a 13 accounting period.

Q But my question goes to the meaning of the 69.4 percent. Is that an average return of 69.4 percent per year for 10 years, that is 69.4 compounded over a 10 year period?

A That is over a 10 year period, that approximately $160 million is over a 10 year period.

Q Maybe I am not being clear. Let's use a different number for simple illustration. Suppose you put $100 in the bank, bought a CD, and a year later you got back $110. That would be a return of approximately 10 percent?

A That's correct.

Q Now, suppose you put $100 in the bank for a two-year CD and at the end of the two-year period, you got $121 back. Do you follow that hypothetical?

A Yes.

Q And that is a total return of 21 percent?

A That is 10-1/2 if you average it over the two years.

Q Okay. The 69 percent figure in this document, is that analogous to the 10-1/2 percent or to the 21 percent?

A I understand that to be over the 10 years. Ten years -- it's $160 million is saved over the 10 years.

Q But is it analogous to the 10.5 percent in my hypothetical or to the 21 percent?

A 21 percent.

Q 21 percent.

A Yes.

Q Are you sure?

A I believe so.

Q If we looked in the more detailed DARs we could find documentation of the assumptions underlying a figure like the 69.4 percent?

A Well, the DARs have capital investment and they go into the operating variants by -- like your earlier questions -- where you are going to save for the clerk craft, where you are going to add for training for the maintenance employees, where you are going to add for the maintenance work hours, and so forth.

They would have the calculated savings and it would spell it out.

They would also have in there a deployment list which would say who is going to receive the equipment, which facilities, and they would be able to tell you in this case

it was 102 --

Q Don't say the facilities. I don't think your lawyer would be happy.

A Okay.

[Laughter.]

THE WITNESS: There's 102 pieces of equipment that would be deployed.

BY MR. LEVY:

Q Would you turn to the page before, which is the attachment, page 4 or 5, to the answer to ST42-7, and that is a similar document for the purchase of 240 flat sorting machines, 1000s.

A Yes.

Q And the document was for a meeting on December 3rd, 1996?

A Yes.

Q And there the projected return is estimated to be in the range of 37 to 66 percent?

A That's correct.

Q Which is different than the single number of 69.4 percent that was estimated two and a half years earlier on April 4th, 1994?

A That is correct.

Q Now is the difference the result of greater experience or is it a result of something else?

A It is a result of something else. What you do with your equipment is you put them where you get the most benefit, so the first 102 would go where you have the biggest return, and now you set your priority order after that, so when you procure an additional equipments in this one you are deploying to the next lowest on the priority list, so this would be 103 on the way down, so your return on the investment varies by location of where that equipment goes and the savings drops.

There is a difference between the size of Morgan, New York and the savings potential and a place like Spokane, Washington, and that is what you are doing is you are taking it down so the return on the investment varies by site.

Q So the deployment that was authorized in April, 1994, was a deployment to what were regarded as the best opportunities for using the machine?

A That's correct.

Q And then the deployment authorized in December 1996 was for the next best bunch of opportunities for deployment?

A That's correct.

Q So the reduction of the number did not reflect a judgment that the higher number of 69 percent was unrealistic for the first bunch of deployments?

A No, it's really speaking to the area of

opportunity.

Q Then if you would turn to the page 3 of the attachment. That is the flat mail optical character reader authorized in May 1997.

A Yes.

Q And there there is a projected return of 47 percent -- I'm sorry, a range from 47.1 percent to 94.2 percent. Do you see that?

A That is correct.

Q Do you have any reason to believe that that estimate was unrealistic?

A No.

Q Or that it has not been born out by actual experience?

A No.

Q The same thing for the estimate on page 2 of the attachment. Do you have any reason to believe that that estimate in hindsight has been unrealistic?

A No.

Q The same thing for page 1 of the attachment, that is the document for the meeting on June 1998.

Do you have any reason to believe that that estimate has proven unrealistic?

A No.

MR. LEVY: Mr. Chairman, that's all I have. Thank

you.

THE WITNESS: You're welcome.

CHAIRMAN GLEIMAN: Mr. Volner, Association for Postal Commerce.

MR. VOLNER: Thank you, Mr. Chairman.

CROSS-EXAMINATION

BY MR. VOLNER:

Q Mr. O'Tormey, my name is Ian Volner and I will be talking with you on behalf of the Association for Postal Service, commonly known as PostCom. And I would like to start at pages 17 and 18 of your testimony where you discuss the problems created by the 1998 fall plan. The first question is this, the 1998 fall plan runs roughly from September of 1998 through January of 1999?

A That is correct.

Q And that would be in what fiscal year?

A Fiscal year '98.

Q Fiscal year '98?

A Yes.

Q Will you accept, subject to check, that it is fiscal year 1999?

A September 1998, yeah. Thank you.

Q Do you know what the base year in this case is?

A I believe it was 1998.

Q Thank you. Now, you discuss -- you weren't here

this morning when Mr. Unger testified?

A That is correct.

Q Okay. The Chairman asked the witness a question about what causes this increased staffing up. And Mr. Unger said that it was primarily Standard A. Do you agree with that?

A That is correct.

Q Now, but Mr. Unger also said, didn't he, that these, this excess labor pool, if you will, was used for all classes of mail?

A In his area, yes, he said that.

Q And you are suggesting that in other areas it was not used for all classes of mail?

A I am saying that they were used across all product lines. The split may vary where they put the resources by percentage, by area.

Q Now, there are letters in Standard A, aren't there?

A That is correct.

Q And one of the points that you make in your testimony is that the 1997 fall plan was complicated by the UPS strike, but that did not exist in the fall of 1998, did it?

A We had the UPS strike which finished about August and we went right into the fall mailing season. And the

issues then we faced was the complexity of the trailers, empty equipment, getting product moved around and the employees. It was across the nation. So --

Q It was across the nation. In your experience, from an operations standpoint, is there typically a surge in the parcel mail during the fall mailing season, if you want to call it that?

A Yes, there is a surge.

Q And is there a surge in letter mail during the fall mailing season?

A There is, but it tends to be catalogs and some of the others in the fall mailing season. There is a surge in letter mail, especially at what we call the holiday mailing period, which is any time after Thanksgiving on. And then you have the parcels and parcel surge is different than the Standard A. So there is different surges all coming together sometimes.

Q Now, Mr. Unger testified that part of the problem, or part of the perceived problem in the fall 1998 season was the final surge before the new rates took effect in January 1999. Do you agree with that?

A Yes. I will tell you what, we were -- I was told by our marketing individuals that we would expect a significant increase in volume.

Q Due to the implementation of rates in January of

1999?

A Yes. And there were some decisions you had to make to provide the service to the customers. And we were trying to balance that, to handle that expected increase.

Q Now, the rates, the expected rate increase encompassed all classes, didn't it?

A That is correct.

Q So that if I am on a First Class mail billing cycle, and I can get my bills out in the first 10 days -- the first nine days of January 1999, I want to do so, don't I?

A Yeah. But can I take that a little further? There is a difference between capacity in our system with letters with the delivery bar code sorters versus the capacity of the flat sorters and some of the other issues, with that caveat.

Q Understood. But what I am puzzled by is that you talk about these problems of the fall mailing season, and then you say this contributed to the increasing cost of processing flats in general. Why isolate it on flats? There were parcels, there were letters. There was transportation, there was delivery. There was acceptance. And then there was the processing of all of those different types. Why do you arrive at the conclusion that the problems of the fall 1998 season contributed to the

increasing cost of processing flats? Did you mean to suggest that that season had a disproportionate effect on flats as opposed to other types of mail?

A No. What I was referring to is that we have enough capacity in our letter mail system. We have over 250 automated plants. We have plenty of delivery bar code sorter capacity. Where the shortage was is the significant shortage of flat capacity, and that is what we had to deal with. That hit us heavier and hit deeper, shall we say.

Q Flat capacity meaning processing capacity?

A Processing of flats.

Q Okay. One last question and we will shift lines for a moment. In the course of preparing your testimony, did you examine the 1999 actual audited financial cost CRA?

A I receive it, I look at it.

Q I am just wondering whether you took a look to see whether, in fact, the effects of the fall 1999 over-supply of labor manifested itself in the results. Did you?

A No. I can't say I did.

Q Fine. Let's turn, if we will, to the Alliance of Nonprofit Mailers, your response to ANM/USPS-ST-42-8. Since we were talking about capacity, let's talk about capacity in a slightly different way. In the last sentence of your response, you say that the Capital Investment Committee, CIC, recently approved the Phase 2 purchase of 363 AFSM

100s. Can you tell me more precisely what you meant by recently? Was that before or after the case was filed in January of this year?

A That was after the case was filed.

Q It was after the case was filed.

A Yes.

Q Now, just so the record is clear on this, the CIC, I take it, is a committee of the Board of Governors?

A No, it is not. The Capital Investment Committee is made up of our very senior management, starting with the Deputy Postmaster General and your Chief Marketing Officer, Chief Operating Officer, Chief Technology Officer, Chief Financial -- mostly chiefs.

Q Okay. Good. But including the Chief Financial Officer?

A Yes.

Q Well, then that intrigues me. Tell me what it means, the CIC has approved the purchase, that means that the overall purchase was approved by the Board of Governors, because you have sizable investments here, and they are now authorizing this phase, or this number of units to be bought, right?

A The engineering function, Mr. Dowling presents to the Capital Investment Committee, we are requesting funds to make this purchase. After the Capital Investment Committee,

it goes to the Capital Program Subcommittee of the Board of Governors. They review it, they get to ask their questions. And then it gets presented at the following Board of Governors meeting to the full Board of Governors, asking for their approval to make these capital investments.

Q Okay.

A So your Capital Investment Committee precedes any interaction with your Board of Governors. In between the Capital Investment Committee and the Board, the Postmaster General must approve before it goes to the Board.

Q Do you know whether this has gone to the Board, this proposal?

A It has not gone to the Board of Governors.

Q Do you know whether it has gone to the PMG?

A Yes, and he has signed off on it.

Q So that it is very likely to come to the Board of Governors very soon?

A Very shortly.

Q All right. Now how long does it take after the Board of Governors sign off -- let's say they sign off in July of 2000 -- how long does it take before the purchase order actually gets implemented?

A On this one, within the same month, within 30 days, because we have an option buy with the current manufacturer for the Phase 1 and the timing is such that

they need six months for long lead items on production, so it will tie right into the Phase 1 deployment.

Q Can you tell me when these units, these 363 will be deployed in what year?

A These are scheduled to be deployed in 2001 through 2002.

Q Can you tell me how many of the 363 will be deployed in 2001?

A The exact number, no. We are anticipating that I am going to receive six a week per the present production schedule that I have with the Phase 1, so with an extension I don't know exact numbers in there but we would expect to receive six a week right on, tagged on to the end of Phase 1.

Q The six a week beginning on what date, January 1 of 2001?

A Approximately in January. The exact date I don't know.

MR. VOLNER: Mr. Chairman, I hate to do this, but if the Postal Service -- I understand that the witness doesn't have the precise information. If the Postal Service does have a more precise documentation of the rollout of these 363 FSM-100s, identified in his response to ANM-8, I would appreciate that that be supplied for the record.

CHAIRMAN GLEIMAN: Mr. Koetting?

MR. KOETTING: I would at least defer to the witness to see if he would know whether there is a more precise number or not. That might be it.

THE WITNESS: We know which sites and how many of the people are going to receive. You have to execute the contract with the vendor. First of all you have to have the Board of Governors approval to commit the funds, then execute the contract. If it could be met, it would be six a week, and I would say once the contract is executed you can have that. We have to work with the vendor to manufacture them and sign the agreement.

MR. VOLNER: I will withdraw the request. The information is sufficient for our purposes.

CHAIRMAN GLEIMAN: Thank you, Mr. Volner.

MR. VOLNER: Now may I approach the witness, Mr. Chairman? I have a cross examination exhibit to deal with.

CHAIRMAN GLEIMAN: Most certainly.

MR. VOLNER: I have provided the witness with a cross examination exhibit which we have designated as PostCom-O'Tormey Cross Examination Exhibit T42-1.

A copy has earlier been supplied to counsel for the Postal Service.

I would ask -- I am going to supply two copies to the Reporter -- I would ask that it be recorded in the record and I will remember to move its admission at the

appropriate time.

CHAIRMAN GLEIMAN: Let's record the cross examination exhibit at this point in time.

[PostCom-O'Tormey-XE-T42-1 was marked for identification and transcribed into the record.]

POSTCOM-O'TORMEY
XE-T 42-1

Description	Type of Flat		YTD 2000 Accept Rate	Source
FSM 881 BCR - IS	Barcoded, Machineable Flats	[1]	92.6%	Response to PostCom/USPS-ST43-6(a), Attachment 3, FSM 881 BCR -- IS
FSM 881 OCR - IS	All Machineable Flats	[2]	86.4%	Response to PostCom/USPS-ST43-6(a), Attachment 3, FSM 881 OCR -- IS

Approximately 2/3 (66.8 percent) of non-Carrier Route flats are barcoded. USPS-T-10 at 14. According to USPS-LR-I-90, the percentage is even higher for machineable flats.

Using the conservative barcode percentage from USPS-T-10 at 14, we know:

FSM 881 OCR -- IS Accept $Rate_{Total}$ = 2/3 x Accept $Rate_{Barcoded}$ + 1/3 x Accept $Rate_{Nonbarcoded}$

Plugging in data from Rows [1] and [2]:

86.4% = 2/3 x 92.6% + 1/3 x Accept $Rate_{Nonbarcoded}$

86.4% = 61.7% + 1/3 x Accept $Rate_{Nonbarcoded}$

24.7% = 1/3 x Accept $Rate_{Nonbarcoded}$

74.1% = Accept $Rate_{Nonbarcoded}$

BY MR. VOLNER:

Q Mr. O'Tormey, I assume that your counsel shared this document with you before you came here today?

A Yes.

Q Okay. Let's see if we can agree on what we were trying to accomplish here. We know from information supplied to us by the Postal Service what the accept -- incoming secondary accept rate is on barcoded machinable flats and it is 92.6 percent. Do you agree with that?

A Yes.

Q And we also know that, from information supplied to us by the Postal Service, that all machinable flats, which includes barcoded and nonbarcoded, is 86.4 percent?

Do you agree with that?

A Yes.

Q Then what we are attempting to do is simply to solve for the one unknown, which is machinable flats that are not barcoded to find the accept rate, and would you agree that the accept rate is as shown on this exhibit for nonbarcoded machinable flats, 74.1 percent.

A Following your formula and looking at it, you're right -- you're correct.

Q Let's move on to my last question then.

Could you turn to page -- I'm sorry, your response to PostCom/USPS-ST42-1, in which we asked you, quoting from

a Library Reference, whether nonbarcoded flats had an accept rate that is in the 70 to 80 percent range you said not confirmed. You would not confirm that.

You said rather that the accept rate for nonbarcoded machinable flats is approximately 80 to 90 percent, depending, and I am quoting, "depending on the mail base process."

Now the first question is where did you get the 80 to 90 percent number?

A I directed the person to get test decks. And we run test decks. And that's how we baseline.

So I asked for a test deck run to try to normalize the mail base across the nation.

Q I see. So that's a test deck run?

A Yes. When we check the vendors, we use mail bases that are normalized across all, so I went with an engineering test deck.

Q Now, what did you mean then by depending on the mail base process?

A Mail base process, when you use an optical character reader, across the United States, all cities have different addressing structures.

Washington DC has quadrants, Northwest, Northeast. You have Miami that has that. Salt Lake City has unusual grid addressing, and Seattle.

And the mail bases vary across the nation. And there is different read rates.

And when you access -- the optical character reader accesses a national directory and tries to read that and interpret it, it is difficult, and it varies across the nation.

So, when you use an engineering test deck, you try to make it as normal as possible with standard addressing. Addressing in Northern Virginia is very easy. It's five numbers and a street and here's the city.

So that's what I was trying to refer to, Mr. Volner.

MR. VOLNER: I have no further questions. Thank you.

CHAIRMAN GLEIMAN: Coalition for Religious Press Associations, Mr. Feldman?

MR. FELDMAN: Thank you, Mr. Feldman.

CROSS EXAMINATION

BY MR. FELDMAN:

Q Good afternoon, Mr. O'Tormey.

A Good afternoon.

Q I just have a couple of brief questions to clear some things up that I think have already been asked of you.

Would it be fair to say -- and obviously, respond in any way that you feel is accurate -- that the bulk of

your response to the Commission's inquiry as to why periodical unit costs have increased more than average in the last seven years, has been because of various difficulties that you perceive periodicals to have had in terms of the flats automation program?

A That is correct.

Q And, again, I hope I'm not being repetitive, but that is the primary reason? It may not be the only reason, but it's the primary reason?

A That's fair to say.

Q Okay. Prior to -- are you aware of any studies or controversies or discussion, any information that came to your attention concerning periodicals prior to 1993, that indicated that their unit costs were going up at a rate higher than average?

A I was not aware of it. I have become aware of it very recently in my job. In '96, I received this job, December of '96, so I'm now very aware of it.

I know we've been working with the periodical mailers when we formed the group in 1997.

Q Just so it's clear, that's the Periodicals Task Force?

A That's correct.

Q Would you characterize their mission, the mission of those of you from the Postal Service who are working with

them, to improve service?

A The mission is to make them a satisfied customer, which is to improve their service and cut their costs.

And what can we do together to accomplish that?

Q Was any of the -- let me rephrase that. Was there a substantial dialogue on the issue of automation between management and that Task Force, or was the dialogue primarily on other facets of mail processing?

A It covers both. I know I have been at a meeting where it was all day where we talked about the technology and the opportunity with the 100, and what was the capability of the 100.

And there's other opportunities from makeup, the delivery, the line of travel, how do you deal with the skin sacks. There are a number of areas that they're all addressing.

Q If you could turn, kindly, to page 14 of your testimony, you have a section -- I don't know if this is a section or a chapter or whatever, but it's Number 5, entitled Allied Labor Work Hour Reduction.

And this describes how since 1993, I believe, management -- it says management initiated an effort to reduce and better manage the work hours in indirect mail processing operations.

As you understand this effort, is it primarily in

the area of allied labor work hours as they relate to automated flats processing?

A In LDC-17, allied work hours encompasses many parts of the Postal Service. That has everything from the dock operations to the opening units, to the mail preparation units, back out to the dispatch operations and going out.

So, there are many different components of that 17, and we're trying to address all of that.

Q In terms of higher unit costs per year for periodicals, however, what aspect of LDC-17, other than flats automation, do you point to in your testimony that is a cause of escalating periodical costs?

A I believe when you went to -- there are issues where you are trying to provide service.

The common reference is skin sacks. That's dock operations. The movement of pallets, that's all in Allied Labor-17.

But there are work hours, as you're pointing out and getting to, in the mail preparation for the flat sorting machines, whether they be an 881 or a 1000.

Q Is the primary driver as far as you're concerned, however, in terms of costs per year, the problems and issues surrounding the best utilization of the various flat sorting equipment that you have described in your testimony?

A Yes. You want to take full utilization of that equipment.

Q Have you seen any studies from Postal consultants or any other sources that you would consider to be reliable, about the -- that skin sacks are a significant factor in higher-than-average periodical costs?

A I've not seen any data. What I am going from is operational experience, and I deal with Mr. Unger and his ten peers. And you get theses issues raised to my level, and we try to address them.

Q And, of course, a substantial portion of periodical mail is on pallets, so the skin sack concern doesn't arise there at all; does it?

A I don't know if there are all -- the hot pubs are on pallets. But there are publications in skin sacks.

What is the percentage between that? I'm not familiar with what the data is.

Q Well, in fact, there are publications that may be in the hot pub category and maybe they're not quite as hot but they're still on pallets; aren't they?

A I don't want to call them cold, though, but they're --

Q Yes. But, in fact, you'd be willing to concede that the variety of publications on pallets could well go beyond hot pubs?

A Oh, yes, there's everything that you get in from American Chemical Society and some of the other magazines that go to the DuPont Companies of the world, and Imperial Chemicals, and American Bankers Association, their magazines. There are all those publications.

Q In fact, the Postal Service made some adjustments several years ago; didn't they? The historic -- I guess you'd call it historic -- 650-pound minimum on pallets was lowered somewhat; wasn't it?

A That's correct.

Q So that may have had an effect on enticing more magazines to try palletization?

A That's correct.

Q And if that occurs, would it be your deduction that that would reduce plant costs?

A My deduction would be twofold: That the customers wanted it because they're going to go to it and do it, and to us, we would do it because it's cost-effective, and it works for both of us.

Q Okay. Did you have a chance as part of your general duties, not because you've been drafted to serve in this rate case, to look at this report of the Periodicals Operations Review Team?

That's the team that worked with the Postal Service and Publishers Associations about a year ago, and

they went around different plants and evaluated different things?

A Yes, I'm familiar with it.

Q You're familiar with it. They had various issues, and I think some of them eventually are covered in your testimony.

There was one there, Issue 11, there is opportunity for cost reduction by more effective utilization of automated flat sorting equipment.

Do you recall reading that portion of the report?

A Yes, I do.

Q Okay. Do you have any opinion, one way or the other, as to whether the recommendations of the Periodicals Operation Team, in that regard, which goes to the effect of assuring maximum FSM utilization -- do you feel, at least in some ways, something has happened since that study to implement those recommendations, albeit it may not be completed yet?

But has something started?

A Yes. In fact, every two weeks, we have a telecon with Mr. Unger and his peers, go over the utilization.

We're going over the increasing the utilization of the equipment. We have also, asked them to reduce the manual processing percentages. We have asked them to go after improving their productivity; that on the volume that

it remains in their manuals.

So, we go over, every two weeks. One week is that most recent eight-piece performance; the following telecon, we go over the year-to-date performance.

We go over different strategies. We go over the facilities that are making a dramatic improvement and find out what their success is, kind of what was asked earlier about the process management, management initiatives, what was successful in Jacksonville? Can we apply it to other facilities?

What are the other areas of opportunity? So there has been some benefit coming out of that joint effort.

Q Thank you very much. Would you agree, in retrospect, given that nobody has the power to see very far into the future, that -- would you agree with the statement that if you and your colleagues had to do it all over again, the FSM-1000 could have been utilized more efficiently in terms of assuring automated handling of oversized pieces and polywrapped periodicals?

A More efficiently? Yes, there are instances, because the actual throughput utilization of that equipment run time has gone up.

Q So, again, taking a brief look at the past, and hopefully a long look at the future, you would say that the trend for higher productivity throughput on the 1000 should

be better than the aggregate productivity of the last two to three years?

A Yes. I'm expecting to make significant improvements with the deployment of the AFSM-100 taking as much of that mail.

Preliminary tests in Baltimore shows that they can handle significant amounts of volume. We look to make sure that the 1000s are placed in the proper facilities and they're at the best that we can get them at, and to make sure that we get the 20 hours of run time a day on them.

Q And at this point, you feel the training of the employees on the 1000 machines is better than it was at the initial deployment of those machines?

A I think everybody goes through kind of an adoption and adaption curve. You have adapt to the new way of doing something, and you have to adapt to it and understand how to use the equipment.

We all improve in our performance in what we do on a daily way of life. So, I think that they have gotten better on the 1000, and we're hoping to put some advancements in technology that has emerged in the marketplace on the 1000.

We have two vendors that are interested in competing to supply us with an automatic feeder with an optical character reader for the 1000 to improve on that and

reduce our costs.

So, we're looking to make beyond the employee impact. We expect to add the technology to this piece of equipment and get some improvement.

Q And are you -- when I say, you, sir, I mean, the Postal Service -- making a conscious attempt to use this experience with the 1000 and the retrofitting of the 881 to try to get, shall I say, a shorter learning curve on the AFM-100 when it is deployed, so that the maximum benefit of that machine will be realized as soon as possible?

A You're absolutely correct. In fact, we have already started training all the employees and all of the management and taken some of our lessons learned on letter mail technology.

We created a simulation model and an image generation rate off the multiline optical character readers in the AFCs with the letters on how you staff a remote encoding center to provide that.

We have taken that same principle and applied it to the AFSM-100 because you now have real-time, online image lift. And it gets to critical on how you staff the video code system and get the most efficient use of your employees.

So we've taken that model and applied that. We've trained the supervisors that are going to have to do that.

So we're looking to significant improvements with the deployment of the 100.

Q But it sounds like the atmosphere of flats automated processing is going to be almost completely different than it ever has been?

A I expect that. It took us from 1982 to 1997 to create a very successful letter mail network, from our very beginnings with Pitney Bowes and Burroughs, and Bell and Howell automation, to where we now have remote computer reading with handwritten address interpretation, reading images, in our remote operations off of RBCS system.

And it took us 15 years. We're expecting to accomplish that all with the AFSM-100, with the complete network, with Phase II in three years.

MR. FELDMAN: Thank you very much, Mr. O'Tormey. That was really quite interesting.

Thank you, Mr. Chairman. That concludes my cross examination.

CHAIRMAN GLEIMAN: Magazine Publishers of America?

MR. CREGAN: Jim Cregan for MPA. We have nothing, Mr. Chairman.

CHAIRMAN GLEIMAN: McGraw Hill?

MR. BERGIN: Thank you, Mr. Chairman.

CROSS-EXAMINATION

BY MR. BERGIN:

Q Good afternoon, Mr. O'Tormey. My name is Tim Bergin, I represent the McGraw Hill Companies.

A Good afternoon.

Q A few additional questions for you. Could I ask you to refer, please, to your response to ANM/USPS-ST-42-6(a)?

A 42-6?

Q Yes, subpart (a).

A Okay. I have it.

Q In that response, I believe it is the fourth sentence, you state, "In our efforts to mechanize and then automate flat mail distribution, we continually added short bar code mail runs and incoming secondary zone runs to the FSM 881 to fully utilize the machines." First, can you explain the point you were making there with that sentence?

A Sure. Was it -- I must have missed, I have MPA-42-6, I must have missed something.

Q This is ANM.

A ANM, okay. Okay.

Q It is subpart (a), the fourth sentence.

A "It was difficult to eliminate capacity constraints."?

Q No. "In our efforts to mechanize."

A Okay. Now I see it. "In our efforts to mechanize and automate flat mail distribution, we continually added

short bar coded mail runs, incoming secondary." Yes.

Q And my first question was, can you elaborate on what you meant by that sentence?

A Sure. What you are trying to do is, we have end of run reports off our equipment, and that blocks out at the end of a day which hours the machine was utilized and run, and it will tell you what sort program. And it identifies then what opportunities you can add and fill in. So you look to make sure you have full utilization of that equipment.

So if you found that you had some time and the mail available, then we would expect you to add bar code runs, including incoming secondary runs to the FSM to fully utilize the machine.

So what I was referring to is take the data that is available to a local site, out of the end of run reports, analyze what you have. If you have an opportunity and a window available to you, and the volume there, use it. Even if it is a short run, it has got to make money for us and improve our operations, and that is what I was referring to.

Q And what do you mean by a short run?

A Oh, short runs could be anywhere, 4,000 pieces, usually around that. You have an 881, the national number average is probably around a 5,000 throughput, so you are not looking at a solid run. Incoming secondaries tend to be

shorter. An SCF run of 40,000 will give you a good, solid running tour of just running SCF mail from a 3 digit down to a 5 digit. On incoming secondaries they have much shorter runs, they tend to be 3,000, 4,000, 5,000 pieces, so it is a much shorter run period, and that is what I am referring to.

Q Now, with the pending deployment of AFSM 100s, is it your understanding that the current shortage in flat sorting capacity will be alleviated, eventually eliminated?

A That is correct.

Q And at that point, in order to fully utilize that capacity, would you expect to see, would you be promoting a similar approach of maximizing utilization of the capacity by putting on short runs, doing more incoming secondary, as you testified was the case with the FSM 881?

A That is true, but I have one advantage with the 100 that I don't have with an 881. Right now I am left to that 5 digit, running that, set-up and takedown. With the 100, I have three automatic feeders and I can combine multiple 5 digit runs and run them at the same time, and they know the incoming secondaries. So I get a longer run time by Enable, with the sort programs, and the computer technology of combining short runs and making them a little bit longer. So there are advantages, due to the technology hitting the marketplace with the 100 over the 881.

Q What sort of short runs can be combined in that

manner on the 100?

A Yeah, you could take two automated zones and combine them, and due to the software technology, they know which zones you are running from the sort program, and you have 120 pockets on this machine, so you can sort them to different pockets and you are combining zones. I don't have that capability with the 881. So, because of the advances that we have hitting the marketplace, I expect to take advantage of that technology. I am picking up an advantage with the 100 that I do not have with this 881.

Q I see. I would like to refer to page 4 of your testimony if I could.

A Yes, I have it.

Q Lines 15 through 17, you refer to, and I quote, "the Postal Service's efforts over the last decade to automate mail processing and to control costs, while improving service for the processing of First Class mail, periodicals, and Standard A flat mail." Is my understanding correct that the automated processing of flat mail, and periodicals in particular, not only should lead to reduced mail processing costs, but also opportunities for improved service of that mail?

A That's correct. Where I am coming from is that when I look at my on-hand condition reports in a national level on a daily basis, 65 percent of that mail easily is

just pure flats. I just do not have capacity, and it is a substantial constraint. With this 100 and 175 of them coming out, that is 13-1/2 billion flats that I expect to be taken care of with this deployment.

Q And how much larger is the throughput, the estimated throughput, the currently estimated throughput on the AFSM 100 vis-a-vis the 881?

A You are at about 5,000 on an 881, and with the AFSM 100, we are fifteen-five, and first -- the first day after acceptance, we accepted a machine in St. Paul two weeks ago, the first day after they accepted that, they did 244,000 flats on the first day. And their best day with an 881 was 80,000. That is a substantial change in their daily life. It changed all their reference points.

Q So it appears to be that the Postal Service is quite encouraged about the prospects?

A I love to see them out there.

Q I take it you are familiar with the so-called process management approach, the seven step approach that was referred to by Witness Unger this morning?

A Yes.

Q And is that a management approach which has been endorsed by the Postal Service?

A Yes, it has been.

Q Throughout the operations?

A Yes.

Q Is my understanding correct that one focus of that approach is to identify cost effective remedies that can be applied throughout the system as standard procedures?

A Yes. The employees work on multiple issues across multiple functions. It could be a safety issue for the employees, where you would get costs out of the system. It could be a service issue, it could be a cost issue. They attack multiple products, multiple issues. It varies by plant to plant or facility to facility, plant to plant.

Q And it would apply to the issue of improving periodical service consistently with cost avoidance?

A It could.

Q To your knowledge is it being applied for that purpose?

A Yes. I'll even give you an example. The bundle breakage. We put out the letter where we want you at small parcel bundle sorters, which sorts 40 percent of their throughput is bundled flats. The breakage -- get a machine, get it bundled, keep the integrity, pull the cost out of the system. That came out of that.

So we take advantage of where we can. I believe earlier with Mr. Unger he had the Jacksonville example, so you apply what you can get and put it in the system and get the savings.

Q And you agree that improved service for periodicals is not necessarily inconsistent with reducing costs for, mail processing costs for periodicals?

A Any time you can improve the service and cut your cost, that is what you are going at all the time, no matter what the product is, no matter what the shape is -- letter, flat, package, First Class, Standard A, periodicals -- whatever it is. It is consistent. It is a consistent value.

Q Thank you, Mr. O'Tormey. I have nothing further.

CHAIRMAN GLEIMAN: Follow-up questions?

[No response.]

CHAIRMAN GLEIMAN: Questions from the bench?

Commissioner LeBlanc?

COMMISSIONER LeBLANC: Mr. O'Tormey, just to follow up on what you talked about a little bit with Mr. Volner, just to make sure I am on the same sheet of music I guess with you here, on page 18 of your testimony you talk about, and I am kind of paraphrasing it, I guess, or using my own words, where you describe about hiring a bunch of extra staff to handle the extra flats volume that you expected in '98 that ultimately didn't come about.

Now rather than shedding the extra labor you chose to, as I understood it, to improving service -- I'll get it out. Now was the extra labor retained only in the short

run?

THE WITNESS: Some was. The casuals were. What we also did in that strategy was we took an estimated number of employees that we attrite each year between June and December and calculated what we would have as an attrition rate for that period of time, clerk and mail handler, and hired ahead of schedule for them so we had the additional period.

If you had a normal attrition rate for discussion's sake of 1000 people retiring in December that occurs across the Southeast area, you went out and hired those thousand upfront, got them trained, and you were positioned so that you had the workforce to handle it, plus we had the additional casual utilization that Mr. Unger referred to.

COMMISSIONER LeBLANC: That's what I thought. Thank you very much. Thank you, Mr. Chairman.

THE WITNESS: You're welcome.

CHAIRMAN GLEIMAN: How many Federal employees did you say you were going to have after you have all 175 of the AFSM-100s out there?

THE WITNESS: Well, we have told the field our expectations are you are going to lose 23 employees per machine. That is our expectation, and to make your plans right now to use transitional employees under the labor

agreement and to hold those positions pending reversion or abolishment.

CHAIRMAN GLEIMAN: Thank you. Commissioner Goldway, did you have some questions?

COMMISSIONER GOLDWAY: Yes. I am sympathetic with the Intervenors here who are hoping that your predictions for the new AFSM-100 are correct, and they seem to be not as concerned as I am that both you and Mr. Unger have said that the per unit cost for handling periodicals has not gone up, whereas we have information provided by the Postal Service that says it has gone up.

So I still need to find some answers that I am comfortable with so that I can go home and believe that the AFSM-100 is going to be as successful as you predict it will be.

Mr. Unger said there were no more skin sack problems in the last five or six years than there had been previously. Do you agree with that or is that an area where costs -- we could blame for cost increases? Is that an area?

THE WITNESS: That is an area.

COMMISSIONER GOLDWAY: So you think the number of skin sacks has increased over the last two years?

THE WITNESS: I think, my personal opinion, that there has been an increase in skin sacks. I think there's a

lot of people that are trying to drive to improving the service and get it out there and get it all the way to the final destination, so I think there is that issue standing.

COMMISSIONER GOLDWAY: So over the past several years that has been a problem that has caused increasing costs?

THE WITNESS: I believe it has.

COMMISSIONER GOLDWAY: Even though we don't know exactly how many there are?

THE WITNESS: I do not know exactly.

COMMISSIONER GOLDWAY: Okay. On page 15 of your testimony, lines 15 through 17, you talk about separation of the mail streams into preparation, distribution, dispatch?

THE WITNESS: Yes.

COMMISSIONER GOLDWAY: So is it your evaluation that the per unit cost of flats and periodicals in particular have gone up because there have been increases in mail preparation costs?

THE WITNESS: I know we have made separations to get all the bar coded volumes separated to take advantage of that. I know for a fact. I visited the Rio Solada facility in Phoenix. They have nine flats sorters and they have insufficient capacity.

There are getting nine 100s. They can only handle barcoded volume. They are taking and sorting down to

carrier level barcoded mail. They cannot handle any optical character reading for the mail. They have to ship it out to the station branches to work manually.

They will be receiving nine 100s to alleviate their problem. So there are instances like that.

COMMISSIONER GOLDWAY: And has that problem at that facility increased over the last four or five years? Is that why we are getting increases in costs? You know, I know we are all hoping the AFSM-100 can deal with the problems we now have, but we are trying to find out what the trends were over the last three or four years that have caused the problems to date.

THE WITNESS: Well, I can't speak to the cost, the economics part of it, and how they allocate the cost operationally.

I know I am dealing with a very tough flat that is very tough to handle with automation, where you have to capture the image and resolve it and process it.

I know I am dealing with an insufficient capacity.

I know that I have put flats on manual operations which have cost.

I know there's been changes between sacks, pallets, where they drop them and all those other dynamics, and I see all those operational changes and I know there's costs that have been added in there, and where and how to

apply that I don't know.

I do know that we are trying to address each of those issues with the mailers.

COMMISSIONER GOLDWAY: Other than the AFSM-100, which we think is going to solve all these problems, have there been important changes in methods and technologies for flats sorting in the last four or five, six years that you think are worthy continuing?

THE WITNESS: Additional technology? We've even tried a high-speed feeder and that failed. We even tried the next generation automated flat sorting machine in North Texas from Chamberlain Guard. It just didn't work.

We've experimented with whatever came on the marketplace with technology, trying to cut the cost out of there. We're -- I'm very confident that the 100 is going to deliver that, from what I have seen.

So we've always -- we've been asking Engineering for the technology to cut the costs.

COMMISSIONER GOLDWAY: I think you were answering this question previously from one of the Intervenors, but I guess -- do you have a standard that you follow with regard to defining what a short run is, and guidelines that you give to the plant on just what a short run is and how to handle it?

THE WITNESS: There is no definition, really, for

a short run. The norm or the acceptance is probably around 4,000-5,000 pieces in an hour of run time.

That's pretty well accepted as a short run.

COMMISSIONER GOLDWAY: And is there a minimum or guideline that's used for plant managers to handle flats manually?

THE WITNESS: I guess I don't understand completely, the question. Is there an accepted standard?

They have manual flat cases that they use and they have labeled. And they have employees do the distribution at various levels, from a three-digit down to five-digit, and they have others that take five-digit down to the carrier route level.

COMMISSIONER GOLDWAY: Well, I guess -- is there a number of -- kind of a cutoff number, a hierarchy for the number of pieces that would be sorted manually, versus in short runs, versus in longer runs?

THE WITNESS: I would say probably the 5,000, get them on the machine if you have the available window.

COMMISSIONER GOLDWAY: So under 5,000?

THE WITNESS: Under 5,000 right now --

COMMISSIONER GOLDWAY: Would more likely be manual?

THE WITNESS: Most of the time, we just don't have the window on the 881 for the secondaries, incoming

secondaries. You go to Philadelphia, and they have 12 881s, and they only have 15 secondaries being run and there's 54 zones in the City of Philadelphia.

COMMISSIONER GOLDWAY: So do you think that once you have your AFSM-100s, that you can lower that standard so that --

THE WITNESS: Yes.

COMMISSIONER GOLDWAY: -- runs under what number will somehow --

THE WITNESS: We're looking at the -- we're telling anyone, anywhere where you have a five-digit that has ten or more city or rural routes, maybe 3,000, 4,000 pieces we expect on that machine right to start.

COMMISSIONER GOLDWAY: And will there be work hour savings in terms of reductions you're planning for those people who are now sorting manually?

THE WITNESS: Yes, that's part of the savings for the 23 employees per machine.

COMMISSIONER GOLDWAY: So the 23 employees per machine covers all of the work hour savings that you anticipate?

THE WITNESS: Yes, that is the net savings. You're going to add some maintenance work hours to do the maintenance on the 100. You're going to add some hours the mail processor to feed the machine.

But the savings, the net savings, is 23 employees.

COMMISSIONER GOLDWAY: Okay, then I just have one question that is maybe more minor, but it struck me and I was confused by it.

In your testimony on page 19, you talk about loop mail, and an optical character reader that reads the return address rather than the delivery address; is that what I understood?

THE WITNESS: Yes.

COMMISSIONER GOLDWAY: Could you explain this problem to me? I don't quite understand what happens here.

THE WITNESS: Sure. Optical character readers go in and look at acquiring an address. They have a software algorithm that's basically an address block locator.

And if the print quality or the definition of the print in the return address is closer or the address down where -- the recipient is down in the right-hand corner, and the return address is up here, it will grab that address as the proper recipient, do a read on that, normalize it, do an address, go into the directory, come up with what they think the address is, and sort it.

It gets to the destination and it's the wrong destination, so now you have to get that piece back to the proper, which is down here.

So the term, loop mail, is thus created from that.

That's one of the downsides of technology.

And you are -- we are continuously working with our vendors and our engineering software people to refine how they acquire addresses with the software.

COMMISSIONER GOLDWAY: Do you work with any of your mailers to solve this problem?

THE WITNESS: Yes. We started that with the letter mail program. You get to address readability, address placement.

There is information that's provided to mailers to tell them, here is the best addressing format, best location and so forth, to optimize the automation.

COMMISSIONER GOLDWAY: And then just one more question to get back to cost: If you think the problem isn't in automation with periodicals cost increases, where should we be looking?

THE WITNESS: I think it's operations with the capacity issue and where we're going, if everything else is held constant.

I think part of it is the acceptance drop points. There's a number of issues going throughout there.

Have we been the -- we have been trying to improve the utilization since we've been working with the periodical mailers, and as I testified earlier, the ongoing telecons every other week, to focus people, get them to do better on

the equipment that they have, the assets that they have.

There is some savings and some coming out of that. So, it's across the board. It is in distribution, but it's also in acceptance, our dispatch.

In trying to be sensitive, we're improving the service. Have we been the most efficient in how we provide the service? My own honest opinion is we've failed in some of that, but we're trying to improve.

COMMISSIONER GOLDWAY: Thank you.

THE WITNESS: Commissioner, can I go back to your earlier comment or something on some of your agita over the 100 and were we actually going to capture that?

COMMISSIONER GOLDWAY: Yes.

THE WITNESS: I had a group of eight people, and we put up 55 remote encoding centers in two years time, and processed all images coming out of 250 plants, and we said that within five years, we would start to downsize those and capture the savings and leverage that technology through remote computer reading and handwritten address interpretation.

So far to this day, we started closing seven of those remote encoding centers. We have notified 21 on the list, and in the next 18 months, you will be closed. We will leverage that technology. That is the same technology we're applying to the 100, and we expect to get those

savings.

I know we're going after it. I know what we did with the letters, and I have confidence that with the same people I have with me for the letters, we're going to apply it to the flats.

COMMISSIONER GOLDWAY: I certainly hope you're right. I think everyone here --

THE WITNESS: I don't want to be up here again.

[Laughter.]

COMMISSIONER GOLDWAY: -- is just as hopeful.

THE WITNESS: Thank you, Commissioner.

COMMISSIONER GOLDWAY: Sure.

COMMISSIONER LeBLANC: You and I are going to lose some hair if we stay here that long!

THE WITNESS: I'm winning.

COMMISSIONER LeBLANC: I don't know about that.

[Laughter.]

COMMISSIONER LeBLANC: Let me follow up on my question that I asked earlier. A secondary thought: We were talking about the staffing requirements a minute ago.

Is extra staff typically on duty in some processing operations in order to meet surges in volume that, in other words, can't be predicted?

THE WITNESS: We add casual employees when we know that we're going to have seasonal volume. We don't have

additional people.

We usually end up going to overtime and it's either going through the volunteer list and then going to mandatory overtime, and we use the articles in the contract to apply that overtime.

So, we use --

COMMISSIONER LeBLANC: But that's only with casuals, though, in this case?

THE WITNESS: No, we use casuals for all volume. Your career employees, we use the overtime. Part-time, flexible work hours get expanded and then can be used for overtime.

Regulars are overtime, and then you can go to mandatory overtime. So that's how you adjust to daily fluctuations or increases in volume that you didn't expect.

COMMISSIONER LeBLANC: Okay, let me try to make sure I'm with you then. Is a margin of error permanently built in? Do you permanently build in something like that for staffing of operations to handle the fluctuations, or do you strictly go by your seasonal, your casuals, and everything else that's been talked about this afternoon?

THE WITNESS: We use a staffing and scheduling model. And we built into that, 15 percent on the average, nationally. That will cover the employees that are on annual leave; that will cover employees that are on sick

leave; that will include employees on the Family Medical Leave Act; that will cover employees that are on extended leave due to own personal injuries or something else.

That also provides us the staff to cover those types of vacancies. When you get into seasonal issues like Mr. Unger was referring to earlier with the Fall mailing season, plus his snowbirds, we have the option of adding casuals up to 5.9 percent of the employees.

So he adds those in anticipation. They will come in, each -- Mr. Unger and his peers will come in and ask for them, and we will provide them.

Mr. Unger recently came back and asked for an additional 400 that they didn't expect they would have. We've gone back and given them that out of our pool of casuals available to us.

COMMISSIONER LeBLANC: So the answer to my question, I guess, would be a yes, and it would average around five percent; that's what you're telling me?

THE WITNESS: Well, we built in 15 percent for covering vacancies due to annual leave, sick leave, on a daily basis on staffing and scheduling.

COMMISSIONER LeBLANC: Okay, good, thank you very much. Thank you, Mr. Chairman.

CHAIRMAN GLEIMAN: I guess I have some of the same concerns that my colleague, Commissioner Goldway has. I

don't think that any of us who were here for R97-1, have to establish ourselves with respect to our concern over the impact of processing costs on any type of mail, especially periodicals.

I think it's pretty clear where we stand, based on the decision that we recommended in the last case.

But I do have some concerns. To date, if I understand your testimony and that of Mr. Unger, the problem that we're facing today with this steady climb in flats processing costs that exceeds the rate of inflation, wage inflation, too, stems primarily from problems in past attempts to automate.

THE WITNESS: Correct.

CHAIRMAN GLEIMAN: And now you're telling us to assume that the Postal Service has got it right this time.

THE WITNESS: Yes.

CHAIRMAN GLEIMAN: And that costs at 23 heads per machine, 175 machines, that comes out, if you assume 50 grand a year for total S&E, comes out to about $200 million in flats processing costs that can be, quote, driven out of the system, which is a phrase I heard ad nauseam during the reclassification case.

You are telling me that we can bet that when those 175 machines are out there that there's going to be 200 million dollars less in processing costs.

THE WITNESS: I expect that.

CHAIRMAN GLEIMAN: Did you ever hear of a guy named Charles Ludwig Dodson?

THE WITNESS: No, I have not, Mr. Chairman.

CHAIRMAN GLEIMAN: Even Volner knows who he is.

[Laughter.]

CHAIRMAN GLEIMAN: He is also known as Lewis Carroll.

MR. VOLNER: He was also a very good mathematician, Mr. Chairman.

CHAIRMAN GLEIMAN: Probably better than I was when I multiplied the numbers out just a moment ago.

He wrote a piece called "Turtle Soup," and one of the lines in there is "Sentence first, verdict afterwards." I kind of feel like that's the position that we are being put in right now, but we will certainly take a look at your testimony and all that that has been here before and yet to come and hopefully make a sensible decision.

Is there any follow-up to questions or comments from the bench?

MR. VOLNER: I have a follow-up --

CHAIRMAN GLEIMAN: Do you have a better quote?

MR. VOLNER: I have a follow-up and a procedural matter.

FURTHER CROSS EXAMINATION

BY MR. VOLNER:

Q You had a conversation with several of the Commissioners about the capacity problem. When you were talking about capacity you were talking about automation equipment capacity problems, correct?

A That's correct.

Q Would you say that over the last three years that capacity problem has become more acute?

A I would say it's more acute and across more facilities. What we are seeing is demographics and what you see is some of our smaller facilities getting more and more growth in possible deliveries and the volumes that goes with that in association, so you are seeing it across more and more facilities.

Q And when you were talking about, and I found the 15 percent number intriguing, take it subject to check that that is a number that's sometimes contested in the electronic production field, where you are talking about excess employee built-in capacity to meet unexpected or --

A No, it's not built-in. What I am saying is on any given day we have a percentage of employees that are out on vacation. There's employees that are out on sick, there's employees out due to family medical leave, there's employees out for maternity -- and what you are doing is you are trying to cover those vacancies to fulfill and meet your

capacity to move that product.

Q Fine, that clarifies it. That problem, the problem of employees on leave, on vacation, or sick or hurt, applies beyond the mail processing context, doesn't it?

I mean it applies at the letter carrier level as well.

A Yes. I don't know what the different rates are for the different crafts. I'm speaking to an overall national number. I know in my facility that I came out of we used a 10 percent number. My number was not that high, and so I went on a 10 percent, and each facility may have it, but I am just giving it as a national average you can look at 15 percent.

I know it is going to vary from a Fresno, California, to a Boston, New York -- Boston, Massachusetts.

Q Do you periodically look at those estimates or those projections, I mean as a part of your staffing and sizing?

A I looked at them -- the last time I really looked at them and really got into the analysis plant by plant was for the last labor negotiations. I was on the national APWU and I really went into an analysis by facility to look at that.

MR. VOLNER: I have no further questions, Mr. Chairman.

I would like to move the admission of PostCom Cross Examination Exhibit T42-1 into evidence.

CHAIRMAN GLEIMAN: It is so ordered.

MR. VOLNER: Thank you.

[PostCom-ST42-XE-1 was received into evidence.]

CHAIRMAN GLEIMAN: I have -- I'm sorry. Mr. McBride.

FURTHER CROSS EXAMINATION

BY MR. McBRIDE:

Q Good afternoon, Mr. O'Tormey. Michael McBride for Dow Jones & Company.

I just wanted to ask one, hopefully one follow-up question after all of this questioning.

Do I understand all of your testimony, both prepared and your answers today, still to reflect your belief that all of the automation equipment that has been purchased in the past as well as your expectation about what is being purchased for the future has lowered per unit cost for mail processing?

A For flat processing, yes.

MR. McBRIDE: Thank you.

CHAIRMAN GLEIMAN: Commissioner LeBlanc -- ah, Mr. Bergin.

MR. BERGIN: I don't want to go out of turn.

CHAIRMAN GLEIMAN: No, you are in turn. You are in turn.

FURTHER CROSS EXAMINATION

BY MR. BURGIN:

Q I did want to follow up on Commissioner Goldway's inquiries about where these reported increasing costs, mail processing costs, for periodicals are coming from.

My question is are you aware of a recent report by the Postal Service that 84 percent of periodicals received at the Detroit Bulk Mail Center are misrouted?

A I am not aware of that.

MR. BERGIN: Thank you. I have nothing further.

CHAIRMAN GLEIMAN: Commissioner LeBlanc -- I'm sorry, Mr. Levy. It is one of the downsides of having a computer to play with. There is a question I want to ask.

I know the information is there and I am just scrolling down looking for it.

MR. LEVY: The existence of computer productivity is a myth.

[Laughter.]

CHAIRMAN GLEIMAN: Just can't say enough good things about it, right?

MR. LEVY: Except for the website. I just have one line of follow-up.

FURTHER CROSS EXAMINATION

BY MR. LEVY:

Q I think in response to Mr. Volner and maybe one of the Commissioners you indicated that one of the big contributors to flat processing costs is a shortage of automation equipment capacity?

A That's correct.

Q And the existence of a capacity shortfall implies that there are opportunities, profitable opportunities for buying more equipment?

A Yes.

Q Profitable in the sense that the expected returns are expected to exceed the hurdle rate of the investment?

A That's correct.

MR. LEVY: Thank you. That's all I have.

CHAIRMAN GLEIMAN: I am looking up this time, just to make sure I don't miss anyone else.

Commissioner LeBlanc, did you have a follow-up?

COMMISSIONER LeBLANC: This is a follow-up, Mr. O'Turmey --

THE WITNESS: O'Tormey.

COMMISSIONER LeBLANC: It's getting late.

THE WITNESS: Just make the Velvet Fog Irish, "O'Tormey." Throw the "L" in front of Mel Torme --

[Laughter.]

COMMISSIONER LeBLANC: You got the velvet voice,

too, right? Just checking.

Is there a cushion of labor to your knowledge maintained as a backup to handle unexpected surges in mail sorting?

THE WITNESS: No, there is not.

COMMISSIONER LeBLANC: Okay, just thought I wanted to clarify that. Thank you.

CHAIRMAN GLEIMAN: I actually found part of what I was looking for. These folks at PostCom make it so easy for you when they put all these news blurbs up on their little website, what's new in the postal world.

MR. VOLNER: If I knew you were doing that, I could have helped you out.

CHAIRMAN GLEIMAN: We have heard a lot about the future of letter mail and the expectation that there is going to be a significant decline in volume at some point in the future. At least in part it is a result of electronic bill presentment and payment.

The Postal Service got all these wonderful machines that you are modeling after because they work so well and give you all this productivity, and you may have excess capacity in those machines a few years down the road, and here you are going out and buying 175 AFSM-100s to supplement the other automated equipment that you already have in the flats area, and on May the 10th somebody named

Maxwell Scroge, which I guess is an analyst firm or something, said that about a billion and a half heretofore hard copy catalogs are going to disappear from the hard copy scene and wind up being sent electronically over the Internet.

You live in Washington. If you read the Washington Post you may have seen several stories within the last month about electronic books and magazines, and what I am wondering is, and this question has come up as some of us have sat around here and talked about capacity in the Postal Service, are you sure you are doing the right thing now?

I mean I know you have a problem here and now. Are you building a system for here and now that in a few years is going to be an albatross around your neck because it is going to be costly, you will not have depreciated the equipment, you may still be paying for it or buying Round 3 for all I know, and lo and behold, the Wall Street Journal decides that it is going to go electronic all the way, which is something that I may have read somewhere along the line.

I don't think these things up myself. I am not smart enough to do that, and I am just wondering whether the system you are designing isn't going to solve a short-term problem but potentially create what I am going to call a mid-term problem, because I believe all these people that tell me that technology is going to move faster and faster.

THE WITNESS: I believe technology is going to accelerate. You can see that. But I also believe that nobody sends a message that says "You have flat mail" through the computer. They say "You have got e-mail." So I am still having the confidence that we are all going to have flat mail around and I have confidence in our senior management at the Capital Investment Committee, where they have the marketing, the finance and the others that do analysis and get some substantial analysis and input from mailers and everybody else that they will make the right decisions.

If I am wrong, somebody will say no, cut it off, you don't need 400, you need 363, or we do this and make those decisions.

CHAIRMAN GLEIMAN: Thank you. Just let me wrap up then with another quote, from "The Hunting of the Snark" -- "He thought he saw an albatross/That fluttered 'round the lamp/He looked again and found it was/A penny postal stamp" -- which I think is appropriate to the question I just asked you.

In any event, I think that's it, that's it from up here. Any follow-up, anybody want to challenge me to Lewis Carroll?

[No response.]

CHAIRMAN GLEIMAN: No? Okay. Well, if there is

no follow-up, then that brings us to redirect.

Would you like some time with your witness?

MR. KOETTING: I would, Mr. Chairman. Would it be appropriate just to have the normal break at this time?

CHAIRMAN GLEIMAN: Sure. We'll do ten minutes then.

[Recess.]

CHAIRMAN GLEIMAN: Mr. Koetting.

MR. KOETTING: Thank you, Mr. Chairman. We do have follow-up.

REDIRECT EXAMINATION

BY MR. KOETTING:

Q Mr. O'Tormey, you had a conversation with Mr. Feldman in which you discussed the changes in the weight limit for pallets, and you discussed, as I recall, that there were two reasons why that was done. One was because the mailers were interested, and the second was because it would be more cost effective if mail was entered on pallets. Would you have any limitations on that latter point about it being more cost effective if mail is entered on pallets?

A I assumed all others were held constant, and that included the amount of bar coded, the depth of sort and the destination of where they dropped those pallets for processing.

MR. KOETTING: That is all we have, Mr. Chairman.

CHAIRMAN GLEIMAN: Is there any recross?

[No response.]

CHAIRMAN GLEIMAN: If there is none, Mr. O'Tormey, that completes your testimony here today.

THE WITNESS: Thank you.

CHAIRMAN GLEIMAN: We appreciate your appearance and your contributions to the record. We thank you and we wish you luck.

THE WITNESS: Thank you.

CHAIRMAN GLEIMAN: All of us wish you luck. And you are excused, sir.

THE WITNESS: Thank you.

[Witness excused.]

CHAIRMAN GLEIMAN: At the beginning of today's hearing, I suggested to counsel that they review the packet of designations of responses provided by witnesses who had completed their testimony previously, and responses provided by the Postal Service as an institution. Are there any objections to the admission of these materials into evidence?

[No response.]

CHAIRMAN GLEIMAN: Hearing none, the designations of responses provided by witnesses who had completed their oral testimony, and the Postal Service as an institution are admitted into evidence and they will be transcribed into the

record.

[Designated Institutional Cross-Examination and Responses were received into evidence and transcribed into the record.]

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Postal Rate and Fee Changes, 2000 Docket No. R2000-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION

Party	Interrogatories
Michael D. Bradley (USPS-T-18)	
United Parcel Service	UPS/USPS-T18-5, 7j, 9e
Chris F. Campbell (USPS-T-29)	
KeySpan Energy	KE/USPS-T29-21a-c
Charles L. Crum (USPS-T-27)	
District Photo, Inc., Mystic Color Lab & Cox Sampling	Question Posed at Hearing, Tr. 8/3476-9
Scott J. Davis (USPS-T-30)	
David B. Popkin	DBP/USPS-79n, 141, 157d, 168, 173-174, 189, 195 redirected to T30
Office of the Consumer Advocate	DBP/USPS-141 redirected to T30
Carl G. Degen (USPS-T-16)	
United Parcel Service	MPA/USPS-T16-17
David R. Fronk (USPS-T-33)	
Office of the Consumer Advocate	Questions Posed at Hearing, Tr. 12/4894-95, 4907

Party	Interrogatories
Herbert B. Hunter (USPS-T-5)	
National Newspaper Association	NNA/USPS-T5-31, 40-44, 45a-b, f
United Parcel Service	NNA/USPS-T5-40 UPS/USPS-T5-69, 89-91
Kirk T. Kaneer (USPS-T-40)	
David B. Popkin	DBP/USPS-185 redirected to T40
Linda A. Kingsley (USPS-T-10)	
Association of American Publishers	AAP/USPS-T10-16
McGraw-Hill Companies, Inc., The	MH/USPS-T10-12f, 14a, c, 17a, f, i Question Posed at Hearing, Tr. 5/2059
Susan W. Mayo (USPS-T-39)	
David B. Popkin	DBP/USPS-157a-c, 158a, c, e-i, k, 159-161, 163-164, 169, 175, 177, 182a, 183a-d, 186a-f, l, 187a, d-f, 188, 192-193 redirected to T39
Pitney Bowes Inc.	PB/USPS-T33-4 redirected to T39
Karen Meehan (USPS-T-11)	
United Parcel Service	UPS/USPS-T11-18, 21-23
Michael W. Miller (USPS-T-24)	
Office of the Consumer Advocate	OCA/USPS-T24-7-8 Questions Posed at Hearing, Tr. 7/3234-35
Joseph D. Moeller (USPS-T-35)	
Office of the Consumer Advocate	Questions Posed at Hearing, Tr. 10/4045-47
Parcel Shippers Association	POIR No. 3, Questions 10-12

Party	Interrogatories
Bradley V. Pafford (USPS-T-4)	
United Parcel Service	UPS/USPS-T4-12, 14
Michael K. Plunkett (USPS-T-36)	
Parcel Shippers Association	POIR No. 3, Question 6
Maura Robinson (USPS-T-34)	
Association of Priority Mail Users, Inc.	POIR No. 6, Questions 8, 10, 13
David B. Popkin	DBP/USPS-143 redirected to T34
Office of the Consumer Advocate	DBP/USPS-143 redirected to T34 Questions Posed at Hearing, Tr. 7/2857, 2858-9, 2915, 2894, 2897
William P. Tayman (USPS-T-9)	
Alliance of Nonprofit Mailers	Questions Posed at Hearing, Tr. 2/445-46, 473, 491, 493-94, 570
Time Warner Inc.	POIR No. 9, Questions 1-2
Jennifer Xie (USPS-T-1)	
United Parcel Service	MPA/USPS-T1-1-2, 4, 6, 11-15 UPS/USPS-T1-66b, 67, 71

Respectfully submitted,

Margaret P. Crenshaw

Margaret P. Crenshaw
Secretary

INTERROGATORY RESPONSES
DESIGNATED AS WRITTEN CROSS-EXAMINATION

Interrogatory	Designating Parties
Michael D. Bradley (USPS-T-18)	
UPS/USPS-T18-5	UPS
UPS/USPS-T18-7j	UPS
UPS/USPS-T18-9e	UPS
Chris F. Campbell (USPS-T-29)	
KE/USPS-T29-21a	KeySpan
KE/USPS-T29-21b	KeySpan
KE/USPS-T29-21c	KeySpan
Charles L. Crum (USPS-T-27)	
Question Posed at Hearing, Tr. 8/3476-9	DMC
Scott J. Davis (USPS-T-30)	
DBP/USPS-79n redirected to T30	Popkin
DBP/USPS-141 redirected to T30	OCA, Popkin
DBP/USPS-157d redirected to T30	Popkin
DBP/USPS-168 redirected to T30	Popkin
DBP/USPS-173 redirected to T30	Popkin
DBP/USPS-174 redirected to T30	Popkin
DBP/USPS-189 redirected to T30	Popkin
DBP/USPS-195 redirected to T30	Popkin
Carl G. Degen (USPS-T-16)	
MPA/USPS-T16-17	UPS
David R. Fronk (USPS-T-33)	
Questions Posed at Hearing, Tr. 12/4894-95, 4907	OCA

Interrogatory	Designating Parties
Herbert B. Hunter (USPS-T-5)	
NNA/USPS-T5-31	NNA
NNA/USPS-T5-40	NNA, UPS
NNA/USPS-T5-41	NNA
NNA/USPS-T5-42	NNA
NNA/USPS-T5-43	NNA
NNA/USPS-T5-44	NNA
NNA/USPS-T5-45a	NNA
NNA/USPS-T5-45b	NNA
NNA/USPS-T5-45f	NNA
UPS/USPS-T5-69	UPS
UPS/USPS-T5-89	UPS
UPS/USPS-T5-90	UPS
UPS/USPS-T5-91	UPS
Kirk T. Kaneer (USPS-T-40)	
DBP/USPS-185 redirected to T40	Popkin
Linda A. Kingsley (USPS-T-10)	
AAP/USPS-T10-16	AAP
MH/USPS-T10-12f	McGraw-Hill
MH/USPS-T10-14a	McGraw-Hill
MH/USPS-T10-14c	McGraw-Hill
MH/USPS-T10-17a	McGraw-Hill
MH/USPS-T10-17f	McGraw-Hill
MH/USPS-T10-17i	McGraw-Hill
Question Posed at Hearing, Tr. 5/2059	McGraw-Hill
Susan W. Mayo (USPS-T-39)	
DBP/USPS-157a redirected to T39	Popkin
DBP/USPS-157b redirected to T39	Popkin
DBP/USPS-157c redirected to T39	Popkin
DBP/USPS-158a redirected to T39	Popkin
DBP/USPS-158c redirected to T39	Popkin

Interrogatory	Designating Parties
DBP/USPS-158e redirected to T39	Popkin
DBP/USPS-158f redirected to T39	Popkin
DBP/USPS-158g redirected to T39	Popkin
DBP/USPS-158h redirected to T39	Popkin
DBP/USPS-158i redirected to T39	Popkin
DBP/USPS-158k redirected to T39	Popkin
DBP/USPS-159 redirected to T39	Popkin
DBP/USPS-160 redirected to T39	Popkin
DBP/USPS-161 redirected to T39	Popkin
DBP/USPS-163 redirected to T39	Popkin
DBP/USPS-164 redirected to T39	Popkin
DBP/USPS-169 redirected to T39	Popkin
DBP/USPS-175 redirected to T39	Popkin
DBP/USPS-177 redirected to T39	Popkin
DBP/USPS-182a redirected to T39	Popkin
DBP/USPS-183a redirected to T39	Popkin
DBP/USPS-183b redirected to T39	Popkin
DBP/USPS-183c redirected to T39	Popkin
DBP/USPS-183d redirected to T39	Popkin
DBP/USPS-186a redirected to T39	Popkin
DBP/USPS-186b redirected to T39	Popkin
DBP/USPS-186c redirected to T39	Popkin
DBP/USPS-186d redirected to T39	Popkin
DBP/USPS-186e redirected to T39	Popkin
DBP/USPS-186f redirected to T39	Popkin
DBP/USPS-186l redirected to T39	Popkin
DBP/USPS-187a redirected to T39	Popkin
DBP/USPS-187d redirected to T39	Popkin
DBP/USPS-187e redirected to T39	Popkin
DBP/USPS-187f redirected to T39	Popkin
DBP/USPS-188 redirected to T39	Popkin
DBP/USPS-192 redirected to T39	Popkin
DBP/USPS-193 redirected to T39	Popkin
PB/USPS-T33-4 redirected to T39	Pitney Bowes

Interrogatory	Designating Parties
Karen Meehan (USPS-T-11)	
UPS/USPS-T11-18	UPS
UPS/USPS-T11-21	UPS
UPS/USPS-T11-22	UPS
UPS/USPS-T11-23	UPS
Michael W. Miller (USPS-T-24)	
OCA/USPS-T24-7	OCA
OCA/USPS-T24-8	OCA
Questions Posed at Hearing, Tr. 7/3234-35	OCA
Joseph D. Moeller (USPS-T-35)	
POIR No. 3, Questions 10-12	PSA
Questions Posed at Hearing, Tr. 10/4045-47	OCA
Bradley V. Pafford (USPS-T-4)	
UPS/USPS-T4-12	UPS
UPS/USPS-T4-14	UPS
Michael K. Plunkett (USPS-T-36)	
POIR No. 3, Question 6	PSA
Maura Robinson (USPS-T-34)	
DBP/USPS-143 redirected to T34	OCA, Popkin
POIR No. 6, Questions 8, 10, 13	APMU
Questions Posed at Hearing, Tr. 7/2857, 2858-9, 2915, 2894, 2897	OCA
William P. Tayman (USPS-T-9)	
POIR No. 9, Questions 1-2	TW
Questions Posed at Hearing, Tr. 2/445-46, 473, 491, 493-94, 570	ANM

Interrogatory	Designating Parties
Jennifer Xie (USPS-T-1)	
MPA/USPS-T1-1	UPS
MPA/USPS-T1-2	UPS
MPA/USPS-T1-4	UPS
MPA/USPS-T1-6	UPS
MPA/USPS-T1-11	UPS
MPA/USPS-T1-12	UPS
MPA/USPS-T1-13	UPS
MPA/USPS-T1-14	UPS
MPA/USPS-T1-15	UPS
UPS/USPS-T1-66b	UPS
UPS/USPS-T1-67	UPS
UPS/USPS-T1-71	UPS

Michael D. Bradley (USPS-T-18)

Response of United States Postal Service Witness Bradley
to
Interrogatories of UPS

UPS/USPS-T18-5. Refer to your answer to interrogatory MPA/USPS-T18-4.

a. Explain the economic reasoning underlying the practice in the previous rate cases of specifying separate equations, according to truck capacity, for the Intra-P&DC, Intra-CSD, Inter-P&DC, Inter-Cluster, and Inter-Area accounts?

b. Consider the case where the USPS chooses to increase capacity on a route, because of increased mail volume, by expanding truck capacity from a van to a tractor-trailer.

   i. In this case, would you consider the two types of capacity to be substitutes as inputs into the production of mail movement? If not, why not?

   ii. In this case, would you consider all of the extra costs due to the provision of greater truck capacity to be volume variable. If not, why not?

   iii. How is this dimension of variability in costs accounted for in a system where cost variability in van trips and cost variability in tractor-trailer trips are estimated in separate equations?

c. Confirm that your empirical model of highway transportation cost holds vehicle capacity constant when estimating volume variability. If not confirmed, explain why not.

d. Confirm that your empirical model of highway transportation cots incorporates no variables representing the relationship between the volume of mail and the choice of vehicle capacity. If not confirmed, explain why not.

e. Have you examined the extent to which, or frequency with which, truck capacity changes over time under a contract. Have you examined the frequency with which truck capacity changes as contracts expire and are replaced with new contracts? If so, provide the results of your analyses. If not, explain why not.

Response of United States Postal Service Witness Bradley
to
Interrogatories of UPS

UPS/USPS-T18-5 Response:

a. The disaggregation of the Intra-SCF and Inter-SCF accounts (the Intra-P&DC, Intra-CSD, Inter-P&DC, Inter-Cluster, and Inter-Area accounts you mention in your question did not exist until this case) into their tractor trailer and van components was first done in Docket No. R97-1. Previous to that, a single econometric equation was estimated for the combined cost pool. The motivation for investigating the disaggregated approach came from two observations. First, these two cost pools had a mix of both tractor trailer and van transportation. Second, cost pools that were essentially all tractor trailer transportation had higher variabilities than cost pools that were essentially all van transportation. I explained this in my docket No. R97-1 testimony:[1]

> A maintained hypothesis underlying the Commission's Docket No. R87-1 analysis is that the cost-generating process within each account category is relatively homogenous. If so, a single equation can be used to estimate the variability for all costs in the account. If this hypothesis is not true, then there is more than one cost-generating process, and accurate measurement of variability may require separate identification and estimation of the individual cost generating processes. The parameters of the cost generating processes may not be the same. If they are not, a more accurate variability calculation will be accomplished through separate estimation

[1] See Direct Testimony of Michael D. Bradley on Behalf of the United States Postal Service, USPS-T-13, Docket No. R97-1, at 35.

Response of United States Postal Service Witness Bradley
to
Interrogatories of UPS

of the individual parameters.

This is not to say that every cost pool should be split, willy nilly, into smaller subpools in a misguided search for different variabilities. Rather, a dissagregated analysis should be followed only when there are good operational reasons to do so. In the instant case, the operational basis is the existence of substantial use of two different transportation technologies within one account. Purchased highway transportation contracts that use the tractor-trailer technology have materially higher variabilities (intra-BMC and inter-BMC) than those use straight body trucks (intra-SCF and inter-SCF).

Some contracts have just tractor trailer transportation, some just have straight body transportation and some are mixed. Because the HCSS data are collected at a more detailed level than the contract, i.e., at the contract cost segment level, the mixed contracts can be separated into their tractor trailer and straight body portions. A review of the HCSS data set reveals that only inter-SCF and intra-SCF accounts have many of both tractor trailer and straight body cost segments. Other account categories are more homogeneous. For example, box route contracts have no tractor trailers and all but one of the inter-BMC contracts specify tractor trailers.

Given that accounts that are predominantly tractor trailer transportation have a higher variability than those that specify straight body transportation, the measurement of variability might be improved by splitting, where possible, accounts into smaller technology-defined cost pools. In the inter-SCF and intra-SCF accounts there is significant heterogeneity. Furthermore, sufficient data exist to estimate separate variabilities for those contract cost segments that use straight body trucks and for those contracts that use tractor trailer contracts. If the estimated variabilities come out to be the same, such a division is unnecessary and a single equation should be used for the entire account. If the estimated variabilities are different, and make sense individually, then two variabilities for the cost pool should be calculated. In

essence, two smaller cost pools will be formed and the variability for each will be derived from its own econometric equation.

b.i The substitution contemplated in this hypothetical is more than just a change in cubic capacity. It reflects a change in the method of production. These two methods of production are alternatives methods in the production of mail movement.

b.ii. The change in costs would be captured by the movement of both costs and cubic foot-miles out of one cost pool an into another. In the hypothetical, capacity and cost would be moving from a van cost pool to a tractor trailer cost pool. Because the estimated variability in the tractor trailer cost pool is higher, I would expect the switch to lead to an increase in volume variable costs.

b.iii. The possibility that alternative methods of production can be used to move mail is captured in the formation of separate cost pools and estimation of the separate variabilities for each of those cost pools. For example, in the hypothetical, we would observe an increase in accrued cost in the "tractor trailer" cost pool and a decrease in accrued cost on the "van" cost pool. By estimating separate variabilities for each of these cost pools, the disaggregated approach applies the appropriate variability to the accrued costs in both instances.

Response of United States Postal Service Witness Bradley
to
Interrogatories of UPS

c. Not confirmed. The empirical model is based upon cross-sectional data, not time series data. The variation in cost and capacity is thus across contract cost segments not through time. There is substantial variation in vehicle capacity in the cross-sectional data set. Of course, it is true that the capacity of any individual vehicle is fixed at a point in time.

d. Confirmed.

e. No. The database used for empirical analysis in both Docket No. R97-1 and Docket No. R2000-1 is a cross-sectional database. As explained above, this means that capacity varies across contracts, not through time. In Docket No. R87-1, I did pursue a time series analysis that generated results similar to the cross-sectional data.

Response of United States Postal Service Witness Bradley
to
Interrogatories of UPS

UPS/USPS-T18-7. Refer to the Postal Service's response to interrogatory UPS/USPS-T18-2 in which the Postal Service states that "there is no such thing as an exceptional service contract."

j. In your testimony in Docket No. R97-1, USPS-T13 at 22, footnote 12, you state that "The term 'exceptional' is used for contracts that cover what is typically thought of as emergency service (a truck breaks down, a truck driver is ill, etc.) Reconcile this statement with the Postal Service's statement that there are no exceptional contracts.

UPS/USPS-T18-7 Response.

Please note that all other parts and subparts of this interrogatory have been redirected to the Postal Service.

j. The statement can be interpreted as meaning, "The term 'exceptional' is used for service on existing contracts that cover what is typically . . .

Response of United States Postal Service Witness Bradley
to
Interrogatories of UPS

UPS/USPS-T18-9 Refer to the Postal Service's response to UPS/USPS-T18-4.

e. In estimating volume variability for highway transportation, do you control for variations in the proportions of costs that fall into the emergency and exceptional categories. If not, explain why not.

UPS/USPS-T18-9 Response.

Please note that all other parts and subparts of this interrogatory have been redirected to the Postal Service.

e. The cost of exceptional service is not part of the variability analysis as the Postal Service assumes that the variability of this service is 100 percent. Following the method used by the Postal Service, UPS, and the Postal Rate Commission in Dockets No. R87-1 and R97-1, emergency contracts are combined with regular contracts (within each account category) for variability estimation purposes.

Chris F. Campbell (USPS-T-29)

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF KEYPSAN
REDIRECTED FROM WITNESS CAMPBELL

KE/USPS-21

In Docket No. R97-1, USPS witness Schenk noted that a new version of the BRMAS program was being contemplated by the Postal Service. See USPS-T-27, pages 7-8.

(a) Has the new version of the BRMAS program been developed? If not, why was it stopped.

(b) If your answer to part (a) is yes, please describe how the new BRMAS program will improve upon the old program and provide all documents discussing the benefits of this new BRMAS program.

(c) If your answer to part (a) is yes, please provide the date on which the new BRMAS program was implemented or, if it has not yet been implemented, the Postal Service's plans for implementing the new version of the BRMAS program.

RESPONSE:

(a) No. It was being contemplated. Development never began and, therefore, did not stop.

(b) N/A.

(c) N/A.

Charles L. Crum (USPS-T-27)

U.S. POSTAL SERVICE WITNESS CHARLES L. CRUM
RESPONSE TO QUESTION POSED AT HEARINGS

At hearings on April 19, 2000, counsel for DMC requested (starting at Tr. 8/3476) that witness Crum provide unit costs based on explicit econometric-based volume variability factors as referenced on page 8, lines 7-13 of his testimony. Counsel for RIAA supported that request. On April 21, 2000, Postal Service counsel explained that a shortcut estimate could be provided within a week.

RESPONSE

The attached pages show Attachment F, Tables 3 through 3.6 of my testimony (USPS-T-27) adjusted as requested. Costs by shape corresponding to those provided by witness Smith in LR-I-81 were modified and fed into my analysis in the Mail Processing line of my tables. The modification to LR-I-81 simply substitutes the volume variabilities presented in witness Degen's testimony (USPS-T-12, Table 4) in Docket No. R97-1 into the Docket No. R2000-1 cost pools where no explicit variabilities are estimated. This is a shortcut approach in that neither the base year nor the piggyback factors are being updated. We expect the results would be similar to the much more complicated, time consuming, and technically correct approach that would require a re-run of the base year. We do, however, expect that the piggyback factors underlying the results presented here are most likely low because the Docket No. R97-1 test year piggyback factors (see LR-H-77, pages 231-232) are higher than the Docket No. R2000-1 test year piggyback factors (see USPS-T-21, Attachment 14) due to the lower labor variabilities presented in Docket No. R97-1. In addition, the reconciliation process described in the testimony of witness Smith (USPS-T-21, page 30) can not be done since there are no corresponding base year costs to reconcile with.

U.S. POSTAL SERVICE WITNESS CHARLES L. CRUM
RESPONSE TO QUESTION POSED AT HEARINGS

It is important to note that the attached results from the adjusted Tables 3 through 3.6 of Attachment F should not be taken out of context. Just as the letter unit costs are impacted along with the parcel and flat unit costs in bulk Standard Mail (A), many other subclasses and rate categories (particularly those that receive handlings on the platform or travel through BMCs) might have significant cost changes if the Docket No. R97-1 variabilities were used in this case. Using only these costs while ignoring other potential impacts would be inappropriate. With those caveats, the bottom line estimated change to Figure 2 on page 10 of my testimony is presented below.

	Cost Per Piece (cents)
Parcels	67.7
Flats	12.1
Difference	55.6

ATTACHMENT TO RESPONSE OF WITNESS CRUM TO QUESTION POSED AT HEARINGS APRIL 19, 20

Table 3

FY 1998 Bulk Standard Mail (A)
Costs by Shape ($000)

Cost Category	Sum over Shapes	Letters	Flats	IPPs & Parcels	Source / Derivation
C.S. 3.1 Mail Processing					
3.1a Mail Processing Variable w/ Pigbk	3,815,758	1,728,636	1,751,159	335,963	Sum of Tables 3.1 - 3.4
3.1b Remote Encoding Costs	-	-			
3.1 Total	3,815,758	1,728,636	1,751,159	335,963	=sum(3.1a,3.1b)
C.S. 3.2 Window Service					
3.2a CRA Window Service Total	43,014	24,864	16,096	1,954	C.S. 3.2 Total from CRA
3.2b Window Service Piggyback Factor	-				
3.2c Piggybacked Costs	19,353	11,232	7,242	879	=sum(3.2a)*(3.2b - 1)
3.2 Total	62,367	36,196	23,337	2,833	=sum(3.2a,3.2c)
C.S. 6 & 7 City Delivery Carriers					
6 Liocatt In-Office	1,115,913	526,427	555,075	32,411	C.S. 6 CRA total
7.1 Route	66,043	33,970	31,380	694	= CS total from CRA dist. to shape by Volume
7.2 Access	54,434	26,409	27,562	463	= CS total from CRA dist. to shape by Volume
7.3 Elemental Load	739,143	330,963	340,169	68,011	= CS total from CRA dist. to shape by ElemLoad
	-	-	-	-	
7.5 Street Support	325,685	151,389	157,628	16,647	= CS total from CRA dist. to shape by 6 - 7.4
6&7 Subtotal	2,301,198	1,071,157	1,111,815	118,226	= sum of 6 through 7.5
6&7 Piggyback Factors					
6&7 Piggybacked Costs	818,043	379,998	396,289	41,756	= 6&7 subtotal *(6&7 pig. fact. - 1)
	-	-	-	-	
6&7 Total	3,119,241	1,451,156	1,508,103	159,982	= sum(6&7 subtotal, 6&7 piggybacked costs)
C.S. 8 Vehicle Service Drivers					
8a Vehicle Service Drivers	94,879	15,556	69,018	10,306	= CS total from CRA dist. to shape by Cube
8b Piggyback Factors					
8c Piggybacked Costs	51,606	8,458	37,542	5,606	= 8a * (8b -1)
8 Total	146,485	24,014	106,559	15,911	=sum(8a, 8c)
C.S. 10 Rural Delivery Carriers					
10a Rural Delivery Carriers	760,264	328,952	417,095	14,216	= CS total from CRA dist. to shape by RuralDel

ATTACHMENT TO RESPONSE OF WITNESS CRUM TO QUESTION POSED AT HEARINGS APRIL 19, 2000

Table 3

FY 1998 Bulk Standard Mail (A)
Costs by Shape ($000)

Cost Category	Sum over Shapes	Letters	Flats	IPPs & Parcels	Source / Derivation
10b Piggyback Factors					
10c Piggybacked Costs	183,984	79,606	100,937	3,440	= 9a * (9b -1)
10 Total	944,248	406,558	518,033	17,657	=sum(9a, 9c)
C.S 14 Transportation					
14.1a Domestic Air	22,788	7,407	13,590	1,791	C.S. Total dist to shape by Weight
14.1b Highway	297,502	58,745	187,761	50,996	C.S. Total dist to shape by Cube
14.1c Railroad	91,572	18,399	56,482	16,691	C.S. Total dist to shape by Cube
14.1d Domestic Water	7,913	2,197	5,116	600	C.S. Total dist to shape by Weight
14.2 International Transportation	-	-	-	-	C.S. Total dist to shape by Weight
14 Total	419,775	86,747	262,950	70,078	= sum of 14.1a through 14.2
All Other Costs					
A. CRA Total for Rate Category	9,070,037				CRA total attributable for rate category
B. Sum of C.S. Totals from above	8,507,873				Sum of C.S. totals above
C. Difference	562,164				= A - B
Total All Other	562,164	334,210	218,231	9,722	= C dist. to shape by Volume
Total Attributable	9,070,037	4,069,517	4,388,372	612,147	
		44.87%	48.38%	6.75%	
Attributable Cost per Piece (Dollars)	0.110	0.090	0.121	0.677	

Distribution Keys					Key Name	Source
1	Volume of Mail (000)	82,357,865	45,174,555	36,279,220	904,090	Table 1 & 2
2	Weight of Mail (000)	10,348,752	2,309,786	7,563,919	475,067	Table 1 & 2
4	Cube of Mail (000)	506,070	81,273	366,291	58,506	= Weight / Density

ATTACHMENT TO RESPONSE OF WITNESS CRUM TO QUESTION POSED AT HEARINGS APRIL 19, 20

FY 1998 Bulk Standard Mail (A) Enhanced Carrier Route

Table 3.1
Costs by Shape ($000)

Cost Category	Sum over Shapes	Letters	Flats	IPPs & Parcels	Source / Derivation
C.S. 3.1 Mail Processing					
3.1 Mail Processing Variable w/ PB, etc.	395,725	177,298	207,815	10,612	* Special Run *
3.1 Total	395,725	177,298	207,815	10,612	=sum(3.1a,3.1b)
C.S. 3.2 Window Service					
3.2a CRA Window Service Total	7,898	3,366	4,520	10	C.S. 3.2 Total from CRA
3.2b Window Service Piggyback Factor		1.450	1.450	1.450	USPS-T-21, Attachment 10
3.2c Piggybacked Costs		1,515	2,034	5	=sum(3.2a)*(3.2b - 1)
3.2 Total	11,449	4,881	6,554	15	=sum(3.2a,3.2c)
C.S. 6 & 7 City Delivery Carriers					
6 Liocatt In-Office	339,053	133,951	196,816	8,286	C.S. 6 CRA total
7.1 Route	33,239	12,975	20,217	47	= CS total from CRA dist. to shape by Volume
7.2 Access	32,931	12,855	20,030	46	= CS total from CRA dist. to shape by Volume
7.3 Elemental Load	352,282	120,833	226,059	5,390	= CS total from CRA dist. to shape by ElemLoa
sum 6 - 7.3	757,505	280,614	463,122	13,769	
7.4 Street Support	126,519	46,868	77,351	2,300	= CS total from CRA dist. to shape by CS 6 - 7.
6&7 Subtotal	884,024	327,482	540,473	16,069	= sum of 6 through 7.4
6&7 Piggyback Factors		* 1.361	1.361	1.361	USPS-T-21, Attachment 10
6&7 Piggybacked Costs	319,133	118,221	195,111	5,801	= 6&7 subtotal *(6&7 pig. fact. - 1)
6&7 Total	1,203,157	445,703	735,583	21,870	= sum(6&7 subtotal, 6&7 piggybacked costs)
C.S. 8 Vehicle Service Drivers					
8a Vehicle Service Drivers	44,490	4,728	39,535	228	= CS total from CRA dist. to shape by Cube
8b Piggyback Factors		1.544	1.544	1.544	USPS-T-21, Attachment 10
8c Piggybacked Costs	24,203	2,572	21,507	124	= 8a * (8b -1)
8 Total	68,693	7,299	61,041	352	=sum(8a, 8c)
C.S. 10 Rural Delivery Carriers					
10a Rural Delivery Carriers	326,363	121,766	204,499	98	= CS total from CRA dist. to shape by RuralDel
10b Piggyback Factors		1.242	1.242	1.242	USPS-T-21, Attachment 10
10c Piggybacked Costs	78,980	29,467	49,489	24	= 9a * (9b -1)

ATTACHMENT TO RESPONSE OF WITNESS CRUM TO QUESTION POSED AT HEARINGS APRIL 19, 2000

FY 1998 Bulk Standard Mail (A) Enhanced Carrier Route **Table 3.1**

Costs by Shape ($000)

Cost Category	*Sum over* Shapes	Letters	Flats	*IPPs &* Parcels	Source / Derivation
10 Total	405,343	151,233	253,988	122	=sum(9a, 9c)
C.S 14 Transportation					
14.1a Domestic Air	390	55	334	1	C.S. Total dist to shape by Weight
14.1b Highway	46,707	4,963	41,505	239	C.S. Total dist to shape by Cube
14.1c Railroad	9,995	1,062	8,882	51	C.S. Total dist to shape by Cube
14.1d Domestic Water	955	135	818	2	C.S. Total dist to shape by Weight
14.2 International Transportation	0	0	0	0	C.S. Total dist to shape by Weight
14 Total	58,047	6,215	51,539	293	= sum of 14.1a through 14.2
All Other Costs					
A. CRA Total for Subclass	2,234,488				BY CRA total vol. var. for subclass
B. Sum of C.S. Totals from above	2,142,413				Sum of C.S. totals above
C. Difference	92,075				= A - B
Total All Other	92,075	35,942	56,003	130	= C dist. to shape by Volume
Total Attributable	2,234,488	828,572	1,372,523	33,393	
		37.08%	61.42%	1.49%	
Attibutable Cost per Piece (Dollars)	0.066	0.062	0.066	0.694	

Distribution Keys						**Key Name**	**Source**
1	*Volume of Mail (000)*	34,059,127	13,295,273	20,715,771	48,083		Table 1
2	Weight of Mail (000)	4,872,081	687,184	4,175,440	9,457		Table 1
3	Density of Mail (pounds / cubic feet)	21.41	28.42	20.65	8.12		LR-MCR-13, LR-PCR-38
4	Cube of Mail (000)	227,545	24,180	202,200	1,165		= Weight / Density
5	Key - Volume of Mail (percent by shape	100.00%	39.04%	60.82%	0.14%	Volume	Share of (1) by shape
6	Key - Weight of Mail (percent by shape)	100.00%	14.10%	85.70%	0.19%	Weight	Share of (2) by shape
7	Key - Cube of Mail (percent by shape)	100.00%	10.63%	88.86%	0.51%	Cube	Share of (4) by shape
8							
9	Elemental Load Key	100.00%	34.30%	64.17%	1.53%	Elem Load	LR-I-95, Devel of Deliv Costs
10	Rural Delivery Key	100.00%	37.31%	62.66%	0.03%	Rural ccs	LR-I-95, Devel of Deliv Costs
	Carrier In-Office Key	100.00%	39.51%	58.05%	2.44%	City Carrier I/o	USPS-T-11, Report ALA860p13
	Window Service Key	100.00%	42.63%	57.24%	0.13%	WindowB	LR-I-99, Window Cost Data

ATTACHMENT TO RESPONSE OF WITNESS CRUM TO QUESTION POSED AT HEARINGS APRIL 19, 2000

FY 1998 Bulk Standard Mail (A) Regular

Table 3.2
Costs by Shape($000)

Cost Category	Sum over Shapes	Letters	Flats	IPPs & Parcels	Source / Derivation
C.S. 3.1 Mail Processing					
3.1 Mail Processing Variable w/ PB, etc.	2,767,217	1,120,454	1,347,141	299,622	* Special Run *
3.1 Total	2,767,217	1,120,454	1,347,141	299,622	=sum(3.1a,3.1b)
C.S. 3.2 Window Service					
3.2a CRA Window Service Total	25,690	15,034	8,827	1,829	C.S. 3.2 Total from CRA
3.2b Window Service Piggyback Factor		1.450	1.450	1.450	USPS-T-21, Attachment 10
3.2c Piggybacked Costs		6,765	3,972	823	=sum(3.2a)*(3.2b - 1)
3.2 Total	37,251	21,799	12,799	2,652	=sum(3.2a,3.2c)
C.S. 6 & 7 City Delivery Carriers					
6 Liocatt In-Office	626,130	291,339	312,427	22,364	C.S. 6 CRA total
7.1 Route	27,123	16,407	10,089	627	= CS total from CRA dist. to shape by Volume
7.2 Access	17,661	10,683	6,569	409	= CS total from CRA dist. to shape by Volume
7.3 Elemental Load	297,595	143,024	95,082	59,489	= CS total from CRA dist. to shape by ElemLoac
sum 6 - 7.3	968,509	461,453	424,167	82,889	
7.4 Street Support	158,229	75,389	69,298	13,542	= CS total from CRA dist. to shape by CS 6 - 7.4
6&7 Subtotal	1,126,738	536,842	493,465	96,431	= sum of 6 through 7.4
6&7 Piggyback Factors		1.352	1.352	1.352	USPS-T-21, Attachment 10
6&7 Piggybacked Costs	396,612	188,968	173,700	33,944	= 6&7 subtotal *(6&7 pig. fact. - 1)
6&7 Total	1,523,350	725,811	667,164	130,375	= sum(6&7 subtotal, 6&7 piggybacked costs)
C.S. 8 Vehicle Service Drivers					
8a Vehicle Service Drivers	41,844	6,896	25,322	9,626	= CS total from CRA dist. to shape by Cube
8b Piggyback Factors		1.544	1.544	1.544	USPS-T-21, Attachment 10
8c Piggybacked Costs	22,763	3,752	13,775	5,236	= 8a * (8b -1)
8 Total	64,607	10,648	39,097	14,862	=sum(8a, 8c)
C.S. 10 Rural Delivery Carriers					
10a Rural Delivery Carriers	350,762	149,179	188,008	13,574	= CS total from CRA dist. to shape by RuralDel
10b Piggyback Factors		1.242	1.242	1.242	USPS-T-21, Attachment 10
10c Piggybacked Costs	84,884	36,101	45,498	3,285	= 9a * (9b -1)

ATTACHMENT TO RESPONSE OF WITNESS CRUM TO QUESTION POSED AT HEARINGS APRIL 19, 2000

FY 1998 Bulk Standard Mail (A) Regular

Table 3.2
Costs by Shape($000)

Cost Category	Sum over Shapes	Letters	Flats	IPPs & Parcels	Source / Derivation
10 Total	435,646	165,280	233,506	16,860	=sum(9a, 9c)
C.S 14 Transportation					
14.1a Domestic Air	17,047	4,192	11,184	1,672	C.S. Total dist to shape by Weight
14.1b Highway	210,499	34,692	127,383	48,424	C.S. Total dist to shape by Cube
14.1c Railroad	69,128	11,393	41,833	15,902	C.S. Total dist to shape by Cube
14.1d Domestic Water	5,879	1,446	3,857	577	C.S. Total dist to shape by Weight
14.2 International Transportation	0	0	0	0	C.S. Total dist to shape by Weight
14 Total	302,553	51,722	184,257	66,574	= sum of 14.1a through 14.2
All Other Costs					
A. CRA Total for Subclass	5,535,166				BY CRA total vol. var. for subclass
B. Sum of C.S. Totals from above	5,130,624				Sum of C.S. totals above
C. Difference	404,542				= A - B
Total All Other	404,542	244,705	150,480	9,357	= C dist. to shape by Volume
Total Attributable	5,535,166	2,360,419	2,634,444	540,302	
		42.64%	47.59%	9.76%	
Attibutable Cost per Piece (Dollars)	0.158	0.111	0.202	0.666	

	Distribution Keys					**Key Name**	**Source**
1	Volume of Mail (000)	35,087,014	21,223,935	13,051,486	811,593		Table 1
2	Weight of Mail (000)	4,582,347	1,126,778	3,006,204	449,365		Table 1
3	Density of Mail (pounds / cubic feet)	19.05	26.42	20.65	8.12		LR-MCR-13, LR-PCR-38
4	Cube of Mail (000)	240,567	39,647	145,579	55,341		= Weight / Density
5	Key - Volume of Mail (percent by shape)	100.00%	60.49%	37.20%	2.31%	Volume	Share of (1) by shape
6	Key - Weight of Mail (percent by shape)	100.00%	24.59%	65.60%	9.81%	Weight	Share of (2) by shape
7	Key - Cube of Mail (percent by shape)	100.00%	16.48%	60.51%	23.00%	Cube	Share of (4) by shape
8							
9	Elemental Load Key	100.00%	48.06%	31.95%	19.99%	Elem Load	LR-I-95, Devel of Deliv Costs
10	Rural Delivery Key	100.00%	42.53%	53.60%	3.87%	Rural ccs	LR-I-95, Devel of Deliv Costs
	Carrier In-Office Key	100.00%	46.53%	49.90%	3.57%	City Carrier I/o	USPS-T-11, Report ALA860p13
	Window Service Key	100.00%	58.52%	34.36%	7.12%	WindowB	LR-I-99, Window Cost Data

ATTACHMENT TO RESPONSE OF WITNESS CRUM TO QUESTION POSED AT HEARINGS APRIL 19, 2000

FY 1998 Bulk Standard Mail (A) Nonprofit ECR

Table 3.3
Costs by Shape($000)

Cost Category	Sum over Shapes	Letters	Flats	IPPs & Parcels	Source / Derivation
C.S. 3.1 Mail Processing					
3.1 Mail Processing Variable w/ PB, etc.	64,503	41,264	20,536	2,703	* Special Run *
3.1 Total	64,503	41,264	20,536	2,703	=sum(3.1a,3.1b)
C.S. 3.2 Window Service					
3.2a CRA Window Service Total	610	351	254	4	C.S. 3.2 Total from CRA
3.2b Window Service Piggyback Factor		1.444	1.444	1.444	USPS-T-21, Attachment 10
3.2c Piggybacked Costs		156	113	2	=sum(3.2a)*(3.2b - 1)
3.2 Total	881	507	367	6	=sum(3.2a,3.2c)
C.S. 6 & 7 City Delivery Carriers					
6 Liocatt In-Office	23,815	13,712	9,928	175	C.S. 6 CRA total
7.1 Route	1,099	746	352	1	= CS total from 0.1923
7.2 Access	2,197	1,491	704	2	= CS total from CRA dist. to shape by Volume
7.3 Elemental Load	16,495	9,857	6,591	46	= CS total from CRA dist. to shape by ElemLoac
sum 6 - 7.3	43,606	25,806	17,576	224	
7.4 Street Support	7,210	4,267	2,906	37	= CS total from CRA dist. to shape by CS 6 - 7.4
6&7 Subtotal	50,816	30,073	20,482	261	= sum of 6 through 7.4
6&7 Piggyback Factors		1.358	1.358	1.358	USPS-T-21, Attachment 10
6&7 Piggybacked Costs	18,192	10,766	7,333	93	= 6&7 subtotal *(6&7 pig. fact. - 1)
6&7 Total	69,008	40,839	27,815	354	= sum(6&7 subtotal, 6&7 piggybacked costs)
C.S. 8 Vehicle Service Drivers					
8a Vehicle Service Drivers	1,870	645	1,205	20	= CS total from CRA dist. to shape by Cube
8b Piggyback Factors		1.543	1.543	1.543	USPS-T-21, Attachment 10
8c Piggybacked Costs	1,015	350	655	11	= 8a * (8b -1)
8 Total	2,885	995	1,860	30	=sum(8a, 8c)
C.S. 10 Rural Delivery Carriers					
10a Rural Delivery Carriers	13,918	9,352	4,562	4	= CS total from CRA dist. to shape by RuralDel
10b Piggyback Factors		1.242	1.242	1.242	USPS-T-21, Attachment 10
10c Piggybacked Costs	3,368	2,263	1,104	1	= 9a * (9b -1)

ATTACHMENT TO RESPONSE OF WITNESS CRUM TO QUESTION POSED AT HEARINGS APRIL 19, 2000

FY 1998 Bulk Standard Mail (A) Nonprofit ECR

Table 3.3
Costs by Shape($000)

Cost Category	Sum over Shapes	Letters	Flats	IPPs & Parcels	Source / Derivation
10 Total	17,286	11,615	5,666	5	=sum(9a, 9c)
C.S 14 Transportation					
14.1a Domestic Air	24	10	14	0	C.S. Total dist to shape by Weight
14.1b Highway	5,097	1,758	3,286	54	C.S. Total dist to shape by Cube
14.1c Railroad	1,262	435	813	13	C.S. Total dist to shape by Cube
14.1d Domestic Water	128	54	73	0	C.S. Total dist to shape by Weight
14.2 International Transportation	0	0	0	0	C.S. Total dist to shape by Weight
14 Total	6,511	2,257	4,186	68	= sum of 14.1a through 14.2
All Other Costs					
A. CRA Total for Subclass	169,833				BY CRA total vol. var. for subclass
B. Sum of C.S. Totals from above	161,075				Sum of C.S. totals above
C. Difference	8,758				= A - B
Total All Other	8,758	5,945	2,807	6	= C dist. to shape by Volume
Total Attributable	169,833	103,422	63,238	3,173	
		60.90%	37.24%	1.87%	
Attibutable Cost per Piece (Dollars)	0.064	0.056	0.075	1.658	

	Distribution Keys					Key Name	Source
1	Volume of Mail (000)	2,647,088	1,796,701	848,473	1,914		Table 2
2	Weight of Mail (000)	195,751	82,704	112,325	722		Table 2
3	Density of Mail (pounds / cubic feet)	23.20	28.42	20.65	8.12		LR-MCR-13, LR-PCR-38
4	Cube of Mail (000)	8,438	2,910	5,439	89		= Weight / Density
5	Key - Volume of Mail (percent by shape)	100.00%	67.87%	32.05%	0.07%	Volume	Share of (1) by shape
6	Key - Weight of Mail (percent by shape)	100.00%	42.25%	57.38%	0.37%	Weight	Share of (2) by shape
7	Key - Cube of Mail (percent by shape)	100.00%	34.49%	64.46%	1.05%	Cube	Share of (4) by shape
8							
9	Elemental Load Key	100.00%	59.76%	39.96%	0.28%	Elem Load	LR-I-95, Devel of Deliv Costs
10	Rural Delivery Key	100.00%	67.19%	32.78%	0.03%	Rural ccs	LR-I-95, Devel of Deliv Costs
	Carrier In-Office Key	100.00%	57.58%	41.69%	0.74%	City Carrier I/o	USPS-T-11, Report ALA860p13
	Window Service Key	100.00%	73.26%	26.68%	0.06%	WindowB	LR-I-99, Window Cost Data

ATTACHMENT TO RESPONSE OF WITNESS CRUM TO QUESTION POSED AT HEARINGS APRIL 19, 2

FY 1998 Bulk Standard Mail (A) Nonprofit

Table 3.4
Costs by Shape($000)

Cost Category	Sum over Shapes	Letters	Flats	IPPs & Parcels	Source / Derivation
C.S. 3.1 Mail Processing					
3.1 Mail Processing Variable w/ PB, etc.	588,313	389,620	175,667	23,026	* Special Run *
3.1 Total	588,313	389,620	175,667	23,026	=sum(3.1a,3.1b)
C.S. 3.2 Window Service					
3.2a CRA Window Service Total	8,818	6,213	2,495	110	C.S. 3.2 Total from CRA
3.2b Window Service Piggyback Factor		1.450	1.450	1.450	USPS-T-21, Attachment 10
3.2c Piggybacked Costs		2,796	1,123	50	=sum(3.2a)*(3.2b - 1)
3.2 Total	12,786	9,009	3,617	160	=sum(3.2a,3.2c)
C.S. 6 & 7 City Delivery Carriers					
6 Llocatt In-Office	126,915	89,424	35,904	1,586	C.S. 6 CRA total
7.1 Route	4,582	3,842	721	18	= CS total from 0.1923
7.2 Access	1,645	1,379	259	7	= CS total from CRA dist. to shape by Volume
7.3 Elemental Load	72,771	57,249	12,437	3,085	= CS total from CRA dist. to shape by ElemLoac
sum 6 - 7.3	205,913	151,895	49,321	4,697	
7.4 Street Support	33,707	24,864	8,074	769	= CS total from CRA dist. to shape by CS 6 - 7.4
6&7 Subtotal	239,620	176,759	57,395	5,466	= sum of 6 through 7.4
6&7 Piggyback Factors		1.351	1.351	1.351	USPS-T-21, Attachment 10
6&7 Piggybacked Costs	84,107	62,043	20,146	1,918	= 6&7 subtotal *(6&7 pig. fact. - 1)
6&7 Total	323,727	238,802	77,541	7,384	= sum(6&7 subtotal, 6&7 piggybacked costs)
C.S. 8 Vehicle Service Drivers					
8a Vehicle Service Drivers	6,675	3,287	2,956	432	= CS total from CRA dist. to shape by Cube
8b Piggyback Factors		1.543	1.543	1.543	USPS-T-21, Attachment 10
8c Piggybacked Costs	3,625	1,785	1,605	235	= 8a * (8b -1)
8 Total	10,300	5,071	4,561	667	=sum(8a, 8c)
C.S. 10 Rural Delivery Carriers					
10a Rural Delivery Carriers	69,221	48,655	20,026	540	= CS total from CRA dist. to shape by RuralDel
10b Piggyback Factors		1.242	1.242	1.242	USPS-T-21, Attachment 10
10c Piggybacked Costs	16,751	11,775	4,846	131	= 9a * (9b -1)

ATTACHMENT TO RESPONSE OF WITNESS CRUM TO QUESTION POSED AT HEARINGS APRIL 19, 20

FY 1998 Bulk Standard Mail (A) Nonprofit

Table 3.4
Costs by Shape($000)

Cost Category	Sum over Shapes	Letters	Flats	IPPs & Parcels	Source / Derivation
10 Total	85,972	60,430	24,872	671	=sum(9a, 9c)
C.S 14 Transportation					
14.1a Domestic Air	5,327	3,150	2,059	118	C.S. Total dist to shape by Weight
14.1b Highway	35,199	17,332	15,588	2,279	C.S. Total dist to shape by Cube
14.1c Railroad	11,187	5,508	4,954	724	C.S. Total dist to shape by Cube
14.1d Domestic Water	951	562	367	21	C.S. Total dist to shape by Weight
14.2 International Transportation	0	0	0	0	C.S. Total dist to shape by Weight
14 Total	52,664	26,553	22,968	3,143	= sum of 14.1a through 14.2
All Other Costs					
A. CRA Total for Subclass	1,130,550				BY CRA total vol. var. for subclass
B. Sum of C.S. Totals from above	1,073,762				Sum of C.S. totals above
C. Difference	56,788				= A - B
Total All Other	56,788	47,618	8,942	228	= C dist. to shape by Volume
Total Attributable	1,130,550	777,103	318,167	35,279	
		68.74%	28.14%	3.12%	
Attibutable Cost per Piece (Dollars)	0.107	0.088	0.191	0.830	

	Distribution Keys					Key Name	Source
1	Volume of Mail (000)	10,564,636	8,858,646	1,663,490	42,500		Table 2
2	Weight of Mail (000)	698,573	413,100	269,950	15,523		Table 2
3	Density of Mail (pounds / cubic feet)	23.66	28.42	20.65	8.12		LR-MCR-13, LR-PCR-38
4	Cube of Mail (000)	29,520	14,536	13,073	1,912		= Weight / Density
5	Key - Volume of Mail (percent by shape)	100.00%	83.85%	15.75%	0.40%	Volume	Share of (1) by shape
6	Key - Weight of Mail (percent by shape)	100.00%	59.13%	38.64%	2.22%	Weight	Share of (2) by shape
7	Key - Cube of Mail (percent by shape)	100.00%	49.24%	44.28%	6.48%	Cube	Share of (4) by shape
8							
9	Elemental Load Key	100.00%	78.67%	17.09%	4.24%	Elem Load	LR-I-95, Devel of Deliv Costs
10	Rural Delivery Key	100.00%	70.29%	28.93%	0.78%	Rural ccs	LR-I-95, Devel of Deliv Costs
	Carrier In-Office Key	100.00%	70.46%	28.29%	1.25%	City Carrier I/o	USPS-T-11, Report ALA860p13
	Window Service Key	100.00%	78.18%	18.33%	3.49%	WindowB	LR-I-99, Window Cost Data

ATTACHMENT TO RESPONSE OF WITNESS CRUM TO QUESTION POSED AT HEARINGS APRIL 19, 2001

FY 1998 Bulk Standard Mail (A) carrier route - Total

Table 3.5
Costs by Shape($000)

Cost Category	Sum over Shapes	Letters	Flats	IPPs & Parcels	Source / Derivation
C.S. 3.1 Mail Processing					
3.1a Mail Processing Variable w/ Pigbk	460,226	218,562	228,351	13,315	Sum of Tables 3.1 & 3.3
3.1b Remote Encoding Costs	0	0			
3.1 Total	460,226	218,562	228,351	13,315	=sum(3.1a,3.1b)
C.S. 3.2 Window Service					
3.2a CRA Window Service Total	8,506	3,717	4,774	15	C.S. 3.2 Total from CRA
3.2b Window Service Piggyback Factor					
3.2c Piggybacked Costs	3,824	1,671	2,147	7	=sum(3.2a)*(3.2b - 1)
3.2 Total	12,330	5,388	6,921	21	=sum(3.2a,3.2c)
C.S. 6 & 7 City Delivery Carriers					
6 Llocatt In-Office	362,868	147,663	206,744	8,461	C.S. 6 CRA total
7.1 Route	34,338	13,721	20,569	48	= CS total from CRA dist. to shape by Volume
7.2 Access	35,128	14,348	20,734	48	= CS total from CRA dist. to shape by Volume
7.3 Elemental Load	368,777	130,690	232,651	5,436	= CS total from CRA dist. to shape by ElemLoad
7.5 Street Support	133,729	51,135	80,257	2,337	= CS total from CRA dist. to shape by 6 - 7.4
6&7 Subtotal	934,840	357,556	560,955	16,330	= sum of 6 through 7.5
6&7 Piggyback Factors					
6&7 Piggybacked Costs		128987	202443	5894	= 6&7 subtotal *(6&7 pig. fact. - 1)
6&7 Total	1,272,165	486,543	763,398	22,224	= sum(6&7 subtotal, 6&7 piggybacked costs)
C.S. 8 Vehicle Service Drivers					
8a Vehicle Service Drivers	46,360	5,373	40,740	247	= CS total from CRA dist. to shape by Cube
8b Piggyback Factors					
8c Piggybacked Costs	25,218	2,922	22,161	135	= 8a * (8b -1)
8 Total	71,578	8,295	62,901	382	=sum(8a, 8c)
C.S. 10 Rural Delivery Carriers					
10a Rural Delivery Carriers	340,281	131,118	209,061	102	= CS total from CRA dist. to shape by RuralDel
10b Piggyback Factors					

ATTACHMENT TO RESPONSE OF WITNESS CRUM TO QUESTION POSED AT HEARINGS APRIL 19, 2001

FY 1998 Bulk Standard Mail (A) carrier route - Total

Table 3.5
Costs by Shape($000)

Cost Category	Sum over Shapes	Letters	Flats	IPPs & Parcels	Source / Derivation
10c Piggybacked Costs	82,348	31,730	50,593	25	= 9a * (9b -1)
10 Total	422,629	162,848	259,654	127	=sum(9a, 9c)
C.S 14 Transportation					
14.1a Domestic Air	414	65	348	1	C.S. Total dist to shape by Weight
14.1b Highway	51,804	6,721	44,790	293	C.S. Total dist to shape by Cube
14.1c Railroad	11,257	1,497	9,695	64	C.S. Total dist to shape by Cube
14.1d Domestic Water	1,083	189	892	2	C.S. Total dist to shape by Weight
14.2 International Transportation	0	0	0	0	C.S. Total dist to shape by Weight
14 Total	64,558	8,472	55,725	360	= sum of 14.1a through 14.2
All Other Costs					
A. CRA Total for Rate Category	2,404,321				CRA total attributable for rate category
B. Sum of C.S. Totals from above	2,303,488				Sum of C.S. totals above
C. Difference	100,833				= A - B
Total All Other	100,833	41,887	58,810	136	= C dist. to shape by Volume
Total Attributable	2,404,321	931,994	1,435,761	36,566	
		38.76%	59.72%	1.52%	
Attributable Cost per Piece (Dollars)	0.066	0.062	0.067	0.731	

Distribution Keys					Key Name	Source
1	Volume of Mail (000)	36,706,215	15,081,974	21,564,244	49,997	Tables 1 and 2
2	Weight of Mail (000)	5,067,832	769,888	4,287,765	10,179	Tables 1 and 2
3	Cube of Mail (000)	235,983	27,090	207,640	1,254	Sum of ECR and Nonprofit ECR

ATTACHMENT TO RESPONSE OF WITNESS CRUM TO QUESTION POSED AT HEARINGS APRIL 19, 200

FY 1998 Bulk Standard Mail (A) non-carrier route - Total

Table 3.6
Costs by Shape($000)

Cost Category	Sum over Shapes	Letters	Flats	IPPs & Parcels	Source / Derivation
C.S. 3.1 Mail Processing					
3.1a Mail Processing Variable w/ Pigbk	3,355,530	1,510,074	1,522,808	322,648	Sum of Tables 3.2 & 3.4
3.1b Remote Encoding Costs	0	0			
3.1 Total	3,355,530	1,510,074	1,522,808	322,648	=sum(3.1a,3.1b)
C.S. 3.2 Window Service					
3.2a CRA Window Service Total	34,508	21,247	11,322	1,939	C.S. 3.2 Total from CRA
3.2b Window Service Piggyback Factor					
3.2c Piggybacked Costs	15,529	9,561	5,095	873	=sum(3.2a)*(3.2b - 1)
3.2 Total	50,037	30,808	16,416	2,812	=sum(3.2a,3.2c)
C.S. 6 & 7 City Delivery Carriers					
6 Liocatt In-Office	753,045	380,764	348,331	23,950	C.S. 6 CRA total
7.1 Route	31,705	20,249	10,811	646	= CS total from CRA dist. to shape by Volume
7.2 Access	19,306	12,082	6,828	415	= CS total from CRA dist. to shape by Volume
7.3 Elemental Load	370,366	200,273	107,518	62,575	= CS total from CRA dist. to shape by ElemLoad
7.5 Street Support	191,836	100,254	77,371	14,311	= CS total from CRA dist. to shape by 6 - 7.4
6&7 Subtotal	1,366,358	713,602	550,860	101,897	= sum of 6 through 7.5
6&7 Piggyback Factors					
6&7 Piggybacked Costs		251011	193845	35862	= 6&7 subtotal *(6&7 pig. fact. - 1)
6&7 Total	1,847,076	964613	744705	137759	= sum(6&7 subtotal, 6&7 piggybacked costs)
C.S. 8 Vehicle Service Drivers					
8a Vehicle Service Drivers	48,519	10,183	28,278	10,058	= CS total from CRA dist. to shape by Cube
8b Piggyback Factors					
8c Piggybacked Costs	26,388	5,536	15,380	5,471	= 8a * (8b -1)
8 Total	74,907	15,719	43,658	15,529	=sum(8a, 8c)
C.S. 10 Rural Delivery Carriers					
10a Rural Delivery Carriers	419,983	197,835	208,034	14,114	= CS total from CRA dist. to shape by RuralDel
10b Piggyback Factors					

ATTACHMENT TO RESPONSE OF WITNESS CRUM TO QUESTION POSED AT HEARINGS APRIL 19, 2001

FY 1998 Bulk Standard Mail (A) non-carrier route - Total

Table 3.6
Costs by Shape($000)

Cost Category	Sum over Shapes	Letters	Flats	IPPs & Parcels	Source / Derivation
10c Piggybacked Costs	101,636	47,876	50,344	3,416	= 9a * (9b -1)
10 Total	521,619	245,710	258,378	17,530	=sum(9a, 9c)
C.S 14 Transportation					
14.1a Domestic Air	22,374	7,342	13,242	1,790	C.S. Total dist to shape by Weight
14.1b Highway	245,696	52,024	142,971	50,703	C.S. Total dist to shape by Cube
14.1c Railroad	80,315	16,901	46,787	16,627	C.S. Total dist to shape by Cube
14.1d Domestic Water	6,830	2,008	4,224	598	C.S. Total dist to shape by Weight
14.2 International Transportation	0	0	0	0	C.S. Total dist to shape by Weight
14 Total	355,217	78,275	207,224	69,718	= sum of 14.1a through 14.2
All Other Costs					
A. CRA Total for Rate Category	6,665,716				CRA total attributable for rate category
B. Sum of C.S. Totals from above	6,204,386				Sum of C.S. totals above
C. Difference	461,330				= A - B
Total All Other	461,330	292,323	159,421	9,586	= C dist. to shape by Volume
Total Attributable	6,665,716	3,137,523	2,952,611	575,582	
		47.07%	44.30%	8.63%	
Attributable Cost per Piece (Dollars)	0.146	0.104	0.201	0.674	

Distribution Keys					Key Name	Source
1	Volume of Mail (000)	45,651,650	30,082,581	14,714,976	854,093	Tables 1 and 2
2	Weight of Mail (000)	5,260,920	1,539,878	3,276,154	464,888	Tables 1 and 2
3	Cube of Mail (000)	270,087	54,183	158,652	57,252	Sum of Regular and Nonprofit

Scott J. Davis (USPS-T-30)

REVISED April 26, 2000

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DAVIS TO INTERROGATORIES OF DAVID B. POPKIN REDIRECTED FROM THE POSTAL SERVICE
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n. I have been informed that there is no explicit authorization for a non-USPS recipient to enter into such an agreement for return receipt service. I note that with return receipt for merchandise service, the *sender* can elect to waive the signature requirement (as permitted in DMM Issue 55, S917.2.2(f)).

m. N/A.

n. N/A.

q.,r. Not confirmed. I have not specifically studied what additional costs or cost savings might result from your scenario described in part [n].

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DBP/USPS-157 Refer to the response to DBP/USPS-44. [d] By how much time will this increase the window time?

RESPONSE:

d. Any increase in window time resulting from the window clerk writing the city, state, and ZIP Code in the upper field has not been quantified. Any such increase would only exist until a planned software update permits POS ONE to automatically complete the upper field.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DAVIS TO INTERROGATORIES OF DAVID B. POPKIN REDIRECTED FROM THE POSTAL SERVICE

DBP/USPS-168 Please refer to your response to DBP/USPS-68. [a] The requests for level of confidence referred to in subparts c and f refers to a mathematical statistical calculation, such as there is a 95% likelihood that the value will be three minutes plus or minus one minute, and not to your personal belief. Please provide the two desired mathematical calculations. [b] Once the two mathematical calculations have been provided, please explain why you feel that the calculated level of confidence is appropriate. [c] Please clarify your response to subpart k in light of your response to subpart h. [d] Please indicate the number of vacation days per year that employees are entitled to.

RESPONSE:

[a,b]. I do not believe that appropriate or meaningful confidence intervals can be developed for this study given the manner in which data were reported. Please see my response to DFC/USPS-T30-69 for a detailed explanation.

c. In my response to DBP/USPS-68(h), I confirmed that the month of July would be expected to be a high vacation period as compared to non-summer months. Two clarifying points should be made. First, I confirmed your assumption that July *would be expected to be* a relatively high vacation period; my response did not assert that this is necessarily the case. Second, I confirmed your assumption that that the month of July would be expected to be a high vacation period *as compared to non-summer months*; this is not to say that an employee is more likely than not to be on vacation during the month of July. Therefore, I reaffirm my response to DBP/USPS-68(k), that given that clerks receive limited annual leave, I would expect that the most clerks participating in the survey were the clerks who regularly performed the clearing activity.

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d. According to the Human Resources policy for annual leave,

> Career employees earn leave based on years of creditable federal *military and civilian service. For less than 3 years of service*, they earn 13 days per leave year; for 3 years but less than 15 years, they earn 20 days per leave year; and for more than 15 years, they earn 26 days per leave year.

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DBP/USPS-173 Please refer to your response to DBP/USPS-79[l]. [a] Please confirm that the usual instance for this type of delivery is with Certified Mail. [b] Please confirm that a manifest is typically prepared for all pieces of accountable mail that are being delivered regardless of whether a return receipt has been requested or not. [c] Please confirm that the purpose of this manifest is to document the receipt of all of the pieces of accountable mail. [d] Please confirm that this manifest is signed by the addressee at the time of delivery. [e] Is a separate manifest also provided which lists only those pieces of accountable mail on which a return receipt has been requested? [f] If not, please reanswer subpart l. [g] Please describe all uses that are made of this second manifest which lists only the pieces having a return receipt.

RESPONSE:

a. *Confirmed.*

b. Confirmed.

c. Confirmed.

d. It is signed by the addressee or the addressee's agent.

e. No. It is my understanding, however, that the manifest includes a section for a code that indicates whether or not a return receipt is requested for each individual mailpiece.

f. DBP/USPS-79[l] is still not confirmed, as the delivering employee must indicate on the manifest each individual mailpiece which contains a return receipt.

g. N/A.

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DBP/USPS-174 Please refer to your response to DBP/USPS-79[n]. While Witness Davis may not know to what extent the described practice may be permissible, there must be one employee of the USPS who does. If this practice is being utilized, then the costs of it must be accounted for in the service and if it is not being utilized then the costs should not be included. Please respond to the original subpart n and if appropriate to the succeeding subparts o, p, q, and r.

RESPONSE:

Please see my revised response (filed with this set) to DBP/USPS-79(n). My original responses to parts o, p, q, and r still apply.

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DBP/USPS-189 Please refer to your response to DBP/USPS-121. [a] The request for level of confidence referred to in subpart c refers to a mathematical statistical calculation, such as there is a 95% likelihood that the value will be three minutes plus or minus one minute, and not to your personal belief. Please provide the desired mathematical calculation. [b] Once the mathematical calculation has been provided, please explain why you feel that the calculated level is appropriate. [c] Please furnish details as to the meaning of the column headings of the attachment to DBP/USPS-121[e] including the questions that were asked. [d] What is the full heading for the column that starts "6B newly"?

RESPONSE:

[a,b]. I do not believe that appropriate or meaningful confidence intervals can be developed for this study given the manner in which data were reported. Please see my response to DFC/USPS-T30-69 for a detailed explanation, which also applies to the post office box lock and key study.

c. The survey question that corresponds to each column heading appears below.

#	Survey Question
3A	How many total keys did you order today?
3B	How much time [minutes] did you spend performing this task?
4A	How many Forms 1099 (requests for key return) did you process today?
4B	How much time [minutes] did you spend performing this task?
5A	How many total locks did you order today?
5B	How much time [minutes] did you spend performing this task?
6A	How many P.O. box locks did you change today?
6B	Of the locks you put on, how many were newly ordered?
6C	How much total time [minutes] did you spend changing locks?

d. The full heading is "6B Newly Ordered", referring to replacement locks that were newly ordered as opposed to retrieved from inventory.

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DBP/USPS-195 Please refer to your response to DFC/USPS-T30-57. [a] Are these 25 offices related to the offices that are referred to in your attachment to DFC/USPS-T30-12[a]? [b] If so, advise the numerical match between facilities numbers in each attachment. [c] If not, please advise the CAG level of each office in the DFC/USPS-T30-57 attachment. [d] Advise the specific days that each of Day 1 through 6 represent. [e] With respect to the number of PS3849 cards filed, do you have any concern with the validity of the data as follows: Facility #3 always takes 5 minutes whether there are 27 to 46 cards; Facility #10 takes time to file no cards; Facility #17 filing time is always a multiple of 5 minutes; and facility #25 filing time is always 30 seconds per filing from 83 to 210 cards. Please respond with respect to each item noted. [f] Please confirm that there are a total of 6640 cards filed on all six days at all 25 facilities. [g] What is the average time per card filed that you utilized in your rate design and provide the specific calculations that were utilized to achieve that value. [h] What is the total volume of cards that are filed in all offices nationwide. An approximation with justification may be provided. [i] What is the calculated statistical mathematical level of confidence that this data represents when utilized to represent a measurement of the time required for filing the form nationwide. Show your calculations. [j] Explain why you are satisfied that this level of confidence is satisfactory. [k] With respect to the number of PS3849 cards retrieved, do you have any concern with the validity of the data as follows: Facility #4 took time on day 4 to evaluate no cards; Facility #17 always took a multiple of 5 minutes; Facility #24 always took a multiple of 15 minutes; 87% of all cards retrieved were completed at only four facilities. Please respond with respect to each. [l] Please confirm that there are a total of 148 cards retrieved on all six days at all 25 facilities. [m] What is the average time per card retrieved that you utilized in your rate design and provide the specific calculations that were utilized to achieve that value. [n] What is the total volume of cards that are retrieved in all offices nationwide. An approximation with justification may be provided. [o] What is the calculated statistical mathematical level of confidence that this data represents when utilized to represent a measurement of the time required for retrieving the form nationwide. Show your calculations. [p] Explain why you are satisfied that this level of confidence is satisfactory.

RESPONSE:

a. Yes.

b. The facility ID numbers in the attachment to my response to DFC/USPS-T30-57 correspond to those in the attachment to my response to

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DFC/USPS-T30-12[a]. For example, facility ID #1in the attachment to my response to DFC/USPS-T30-57 represents the same facility as facility ID #1 in the attachment to my response to DFC/USPS-T30-12[a].

c. N/A.

d. The survey instructed data collection to begin on Wednesday, July 21, 1999. With that start day, the table below indicates the specific days that Day 1 through Day 6 represent. Not every site started on July 21, however.

Day #	Day of Week
1	Wednesday
2	Thursday
3	Friday
4	Saturday
5	Monday
6	Tuesday

e. I trust these results and believe they are useful to the study, with one exception.

- Facility #3: Based on the range of unit productivities reported by other facilities, 5 minutes is a reasonable time required to file quantities within the stated range. The times reported are reasonable approximations.

- Facility #10: While I instructed the field to report time taken when no cards were retrieved (for example, to search for a record not in their files), I am concerned about this particular case in which time was reported for no cards filed on two days. However, because the two observations account for only 3 minutes out of a total 1,013 minutes of filing time reported in the study, the inclusion of these two observations has no material effect on overall filing productivity.

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- Facility #17: Your assertion is incorrect. Facility #17 filing time is never a multiple of 5 minutes.

- Facility #25: While the volume counts are precise, this facility apparently reported times by estimating 30 seconds per unit. On a unit productivity basis, these figures are not necessarily unreasonable. Other facilities with precise measurements of volumes and times demonstrated productivities very similar to those of facility 25. Facility 25's times appear to be reasonable approximations, and their volumes appear to be precise measurements. The fact that a given facility, facing budget constraints and demands to move the mail as quickly as possible, may report reasonable approximations as opposed to fully precise measurements over an extended period of time should not dismiss that facility's reported data per se. In fact, since I believe the reported data does represent reasonable approximations, the data should be incorporated into the study.

f. Not confirmed. There are a total of 6,620 cards filed on all six days at all 25 facilities.

g. The average time per card filed is 0.153 minutes (or 9.184 seconds). This mean unit time was calculated by dividing total filing time [1,013 minutes] by total cards filed [6,620 cards].

h. While no exact count is available, approximately 300 million cards were filed in all offices nationwide in FY 1998. This approximation is based on the FY 1998 domestic volumes of certified, insured (value over $50), registered, COD, and return receipt for merchandise.

[i,j]. I do not believe that appropriate or meaningful confidence intervals can be developed for this study given the manner in which data were reported. Please see my response to DFC/USPS-T30-69 for a detailed explanation.

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k. I trust these results and believe they are useful to the study.

- Facility #4: A facility may indeed spend time in the search and retrieval process even though no card was located. In fact, I specifically instructed the field to "include the number of PS Form 3849 cards that you searched for but did not locate". See survey instructions at USPS-LR-I-108, Section D, p.78 (electronic file name: "instructions for ret rcpt survey.doc") and survey at p.79 (electronic file name: "return receipt survey.xls").

- Facility #17: While the volumes are precise measurements, the times appear to be reasonable approximations. The fact that a given facility, facing budget constraints and demands to move the mail as quickly as possible, may report reasonable approximations as opposed to fully precise measurements over an extended period of time should not dismiss that facility's reported data per se. In fact, since I believe that the reported data represent reasonable approximations, the data should be incorporated into the study. I expect that any rounding up would be offset by rounding down.

- Facility #24: While the volumes are precise measurements, the times appear to be reasonable approximations. The fact that a given facility, facing budget constraints and demands to move the mail as quickly as possible, may report reasonable approximations as opposed to fully precise measurements over an extended period of time should not dismiss that facility's reported data per se. In fact, since I believe that the reported data represent reasonable approximations, the data should be incorporated into the study. I expect that any rounding up would be offset by rounding down.

- I am neither concerned nor surprised that 87 percent of cards retrieved were completed at four facilities. This reflects the fact that in the population of postal facilities, certain sites serve as centralized storage facilities of delivery records.

l. Confirmed.

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m. The average time per card retrieved is 3.519 minutes. This mean unit time was calculated by dividing total retrieval time [521 minutes] by total cards retrieved [148 cards].

n. In FY 1998, approximately 2 million cards were retrieved in all offices nationwide. This figure is based on the approximate number of inquiries received during FY 1998.

[o,p]. I do not believe that appropriate or meaningful confidence intervals can be developed for this study given the manner in which data were reported. Please see my response to DFC/USPS-T30-69 for a detailed explanation.

Carl G. Degen (USPS-T-16)

Response of United States Postal Service Witness Degen
To Interrogatory of Magazine Publishers of America, Inc.

MPA/USPS-T16-17. Please refer to your response to MPA/USPS-T16-14(f), in which you state that: "'Broad' distribution of mixed-mail across cost pools, in the context of a distribution methodology that makes appropriate use of the information contained in item and container tallies, may be justifiable...."

a. Please state whether you had a distribution methodology in mind when you made the quoted statement.

b. If the answer to part (a) is affirmative, please specify the nature of the "'broad' distribution of mixed mail cost pools" and the "appropriate use of the information contained in item and container tallies."

c. Please provide the volume-variable costs by cost pool and subclass resulting from the distribution methodology described in response to part (b), in a format comparable to Table 3 at USPS-T-17. Please also provide an electronic (Excel) version.

d. Please provide the SAS code used to generate the response to part (c) in hard copy and electronic form.

MPA/USPS–T16–17 Response.

a. I did not have a specific mixed-mail distribution method in mind when I made the quoted statement. However, I had considered some general types of modifications to the mixed-mail procedures, which I describe in the response to part (b).

b. I considered two general types of modifications to the mixed-mail procedures implemented by the Postal Service for the BY 1998 mail processing subclass distribution keys. First, the "broader" mixed-mail procedures employed for the MODS and BMC Platform cost pools could be extended to other allied labor cost pools. Second, for the MODS office group, the "broader" distribution of mixed-mail for the Platform (and, potentially, other allied labor cost pools) could be extended to additional non-allied labor cost pools. In any case, the

use of shape, item, or container information in the Postal Service's methods would be preserved. These types of modifications encompass a large number of specific alternative mixed-mail methods, which I have not considered individually. However, I specify what I believe to be the "broadest" acceptable mixed-mail distribution method in the table provided as Attachment 1 to this response. The results that I present in response to parts (c) and (d) employ this method.

c. Estimated volume-variable costs and distribution key shares, based on Fortran versions of the programs that compute volume-variable costs by subclass, are provided in Attachment 2 and Attachment 3 to this response. The requested Excel file will be provided in library reference USPS-LR-I-313.

d. SAS code that performs the same function as the Fortran programs used to produce the results in Attachment 2 and Attachment 3 will be provided in library reference USPS-LR-I-313.

Attachment 1
Response to MPA/USPS-T16-17
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Cost Pool Group	"Broader" distribution in USPS Base Year method	"Broadest" acceptable method
MODS	"Identified" containers in Platform cost pool are "filled" using piece- and item-handling direct tallies in all allied labor cost pools	• Broaden set of cost pools used to fill Platform identified container tallies to the set of cost pools used to distribute MODS allied labor not-handling tallies[1] • Extend the broadened treatment of identified container tallies in the Platform cost pool to identified container tallies in other allied labor cost pools, except Cancellation/Meter Prep[2] • Extend the broadened treatment of identified container tallies in allied labor cost pools (except Cancellation/Meter Prep) to tallies of mixed single items in allied labor cost pools
BMC	Mixed single items and identified containers in Platform cost pool are filled using piece- and item-handling direct tallies in all BMC cost pools	Extend the treatment of mixed single item and identified container tallies in the Platform cost pool to the BMC allied labor cost pool (USPS-T-17 SAS Code "OTHR")
Non-MODS	Mixed identified containers in Allied cost pool are filled using piece- and item-handling direct tallies in all non-MODS cost pools except Registry and Miscellaneous	Extend the treatment of identified container tallies in the Platform to tallies of mixed single items

[1] Note that the set of cost pools used to distribute MODS allied labor not-handling tallies is the set of Function 1 cost pools (except 1Misc, 1Support, Registry, and BusReply) plus LDC 79. See USPS-T-17 and LR-I-106 for details.
[2] Note that I intend that the set of allied labor cost pools include the mechanized sack sorting cost pool in LDC 13, in addition to the LDC 17 cost pools excluding Cancellation/Meter Prep.

Estimated Volume-Variable Cost by Subclass and Cost Pool
Uses Broadened Mixed-Mail Distribution Method from Response to MPA/USPS-T16-17(b)

Subclass	MODS bcs	MODS ocr	MODS fsm	MODS lsm	MODS 1SackS_m	MODS mecparc	MODS spbs Oth	MODS spbsPrio
1st L&P	470,011	105,924	383,769	52,994	18,018	563	36,878	6,501
1PreL	227,480	23,758	34,530	8,908	4,989	220	4,399	918
1Cds	12,826	4,502	610	4,464	612	3	80	26
1PreC	4,277	659	77	381	114	1	0	0
Priority	482	126	15,077	222	4,311	4,343	14,477	36,091
Express	9	6	83	2	541	22	132	389
Mailgrams	0	0	0	0	1	0	0	0
2IC	0	0	445	0	53	1	14	1
2Reg	600	23	63,735	6	4,463	499	17,277	2,196
2NP	569	173	10,263	1	636	77	3,509	418
2CL	0	0	769	0	78	2	77	2
3SP	4,425	595	7,686	65	578	144	2,452	139
3BRCRT	19,571	3,837	15,944	3	1,602	101	15,156	706
3BRO	134,430	15,552	260,487	4,138	9,585	886	63,358	2,454
3NPCRT	5,049	564	2,643	0	297	90	1,117	129
3NPO	41,732	5,192	34,087	1,916	2,022	18	9,313	204
4ZPP	7	10	969	2	1,249	587	2,505	587
4BPM	11	5	3,766	1	414	205	3,602	100
4SPC	26	0	2,846	1	175	112	2,507	92
4LIB	0	0	359	0	18	0	385	0
USPS	1,974	570	5,470	624	376	619	1,595	851
Free	98	0	510	0	76	2	1,156	177
Intl	9,227	2,974	7,352	1,410	1,896	156	1,590	861
Registry	2	51	137	1	117	5	0	7
Certified	0	0	0	0	1	0	0	0
Insurance	0	0	0	0	1	0	0	0
COD	0	0	0	0	1	0	0	0
Money Ord	0	0	0	0	0	0	0	0
Stamp Env	0	0	0	0	0	0	0	0
Sp Hndlng	1	0	0	0	7	0	0	0
PO Box	0	0	0	0	0	0	0	0
Other Special Svs	1,429	0	0	1	30	0	0	0
Total	934,238	164,522	851,615	75,142	52,261	8,656	181,579	52,849

Estimated Volume-Variable Cost by Subclass and Cost Pool
Uses Broadened Mixed-Mail Distribution Method from Response to MPA/USPS-T16-17(b)

Subclass	MODS manf	MODS manl	MODS manp	MODS Priority	MODS Id15	MODS 1bulk pr	MODS 1cancMPP	MODS 1OpBulk
1st L&P	132,536	694,810	5,044	6,360	325,321	4,714	135,902	102,984
1PreL	14,522	125,749	887	375	60,606	2,115	7,234	26,439
1Cds	314	56,205	3	5	10,451	149	3,497	3,703
1PreC	120	8,997	1	1	424	29	101	613
Priority	8,564	5,040	8,456	117,058	459	577	5,275	13,967
Express	87	928	157	1,875	0	74	75	2,116
Mailgrams	0	127	0	0	0	0	0	5
2IC	1,121	150	1	3	0	6	3	432
2Reg	58,927	9,025	1,335	533	0	529	638	18,786
2NP	8,421	1,948	182	110	0	72	149	2,881
2CL	406	2	0	2	0	4	2	84
3SP	3,075	5,339	270	278	857	133	666	2,201
3BRCRT	6,410	11,601	970	767	3,704	517	312	13,156
3BRO	94,565	140,815	4,491	1,509	27,877	1,844	3,767	75,057
3NPCRT	1,480	3,509	44	7	2,444	38	124	2,117
3NPO	17,543	56,848	101	202	10,533	478	901	14,905
4ZPP	410	586	5,474	669	0	72	366	2,620
4BPM	1,652	611	1,830	179	0	44	127	2,267
4SPC	1,193	1	1,438	115	0	30	357	1,013
4LIB	290	0	0	0	0	56	136	148
USPS	1,906	10,053	457	3,047	1,135	79	1,099	1,951
Free	63	797	127	5	0	13	56	512
Intl	3,399	14,334	358	2,488	15,727	239	1,615	5,006
Registry	64	0	1	4	0	24	26	303
Certified	0	0	0	0	0	1	0	7
Insurance	0	0	0	0	0	0	0	3
COD	0	0	0	0	0	0	0	3
Money Ord	0	0	0	0	0	0	0	0
Stamp Env	0	0	0	0	0	0	0	0
Sp Hndlng	0	0	0	0	0	0	1	71
PO Box	0	0	0	0	0	0	0	0
Other Special Svs	0	2,038	1	2	0	10	52	159
Total	355,068	1,149,513	31,630	135,596	459,539	11,845	162,480	293,506

Estimated Volume-Variable Cost by Subclass and Cost Pool
Uses Broadened Mixed-Mail Distribution Method from Response to MPA/USPS-T16-17(b)

Subclass	MODS 1OpPref	MODS 1Platform	MODS 1Pouching	MODS 1SackS_h	MODS 1scan	MODS 1EEqmt	MODS 1Support	MODS BusReply
1st L&P	293,714	371,448	186,719	59,716	18,116	16,164	22,098	8,335
1PreL	68,840	88,924	44,828	15,206	4,854	3,982	4,978	1,057
1Cds	8,698	12,622	5,578	2,019	586	638	831	292
1PreC	1,777	2,645	1,149	380	113	113	142	1
Priority	52,559	92,420	33,855	16,317	6,965	2,335	2,842	1,067
Express	5,425	11,272	4,361	2,029	1,659	500	438	6
Mailgrams	10	17	6	3	1	1	1	0
2IC	754	858	333	360	28	43	31	1
2Reg	51,078	55,717	24,931	14,518	1,872	2,396	2,097	54
2NP	6,944	9,334	3,641	2,262	289	785	340	13
2CL	311	458	180	142	12	15	16	1
3SP	5,195	8,852	3,542	1,298	254	395	317	455
3BRCRT	17,812	27,686	10,212	6,510	964	1,344	1,030	33
3BRO	107,434	153,137	70,181	28,276	6,130	6,290	7,846	316
3NPCRT	2,492	3,898	1,379	888	138	218	190	92
3NPO	23,456	33,103	14,927	6,018	1,410	1,406	1,823	32
4ZPP	6,327	18,007	3,878	3,319	384	354	334	552
4BPM	4,097	7,118	2,152	1,453	177	226	194	23
4SPC	2,146	4,351	1,388	653	166	3,723	148	506
4LIB	431	630	294	133	16	15	19	0
USPS	6,119	9,300	3,446	1,400	406	435	437	2,472
Free	1,197	1,351	799	736	42	46	50	5
Intl	14,932	25,474	11,214	3,803	1,110	1,316	1,325	87
Registry	835	3,087	528	169	59	84	191	2
Certified	15	151	10	4	2	4	1	0
Insurance	7	95	4	2	1	1	1	0
COD	6	90	4	2	1	1	1	0
Money Ord	0	0	0	0	0	0	0	0
Stamp Env	0	0	0	0	0	0	0	0
Sp Hndlng	47	70	44	19	8	6	2	0
PO Box	0	0	0	0	0	0	0	0
Other Special Svs	368	1,001	235	97	32	70	128	14,363
Total	683,028	943,116	429,817	167,731	45,794	42,906	47,848	29,765

Estimated Volume-Variable Cost by Subclass and Cost Pool
Uses Broadened Mixed-Mail Distribution Method from Response to MPA/USPS-T16-17(b)

Subclass	MODS Express	MODS Mailgram	MODS Misc	MODS Registry	MODS Rewrap	MODS Intl	MODS LD41	MODS LD42
1st L&P	3,007	0	35,925	4,335	6,562	3,927	14,216	532
1PreL	73	0	8,093	439	745	1,524	10,766	104
1Cds	89	0	1,351	375	543	522	287	33
1PreC	74	0	230	3	0	146	88	0
Priority	703	0	4,620	418	1,362	2,062	172	28
Express	33,628	0	712	1,174	4	1,977	11	2
Mailgrams	0	0	2	0	0	0	0	0
2IC	2	0	50	3	0	5	0	0
2Reg	162	0	3,409	102	114	255	22	41
2NP	39	0	553	18	5	33	239	16
2CL	1	0	26	1	0	1	0	0
3SP	30	0	515	539	104	21	9	1
3BRCRT	108	0	1,674	13	9	100	1,359	32
3BRO	936	329	12,756	68	1,241	1,015	4,240	236
3NPCRT	7	0	309	1	2	227	309	10
3NPO	151	0	2,964	59	118	358	568	4
4ZPP	24	0	543	595	513	1,850	16	0
4BPM	10	0	318	5	4	163	11	0
4SPC	9	0	241	80	222	10	2	0
4LIB	0	0	30	0	0	0	0	0
USPS	2,620	0	710	7,039	145	482	82	26
Free	4	0	81	2	0	33	1	0
Intl	4,367	0	2,154	7,885	448	68,212	73	2
Registry	24	0	310	23,538	1	818	2	0
Certified	0	0	2	0	0	0	0	0
Insurance	0	0	1	0	0	0	0	0
COD	0	0	1	0	0	0	0	0
Money Ord	0	0	0	0	0	0	0	0
Stamp Env	0	0	0	0	0	0	0	0
Sp Hndlng	0	0	3	0	0	0	0	0
PO Box	0	0	0	0	0	0	0	0
Other Special Svs	91	0	208	0	1	0	1	0
Total	46,159	329	77,789	46,691	12,145	83,742	32,476	1,069

Estimated Volume-Variable Cost by Subclass and Cost Pool
Uses Broadened Mixed-Mail Distribution Method from Response to MPA/USPS-T16-17(b)

Subclass	MODS LD43	MODS LD44	MODS LD48_Adm	MODS LD48_Exp	MODS LD48_Oth	MODS LD48_SpSv	MODS LD49	MODS LD79
1st L&P	190,701	69,878	36,764	447	40,266	20,267	98,344	6,413
1PreL	51,905	22,630	10,009	0	10,962	2,559	61,470	6,047
1Cds	6,150	984	1,703	0	1,865	890	6,372	698
1PreC	1,270	164	246	0	269	2	2,057	0
Priority	49,185	5,982	5,030	104	5,509	2,117	2,622	460
Express	3,239	854	1,262	807	1,382	5,309	12	29
Mailgrams	0	0	0	0	0	0	0	0
2IC	1,304	91	138	0	151	258	505	161
2Reg	30,222	4,951	3,764	0	4,123	596	22,491	588
2NP	4,627	692	850	0	930	24	7,702	475
2CL	176	102	23	0	26	2	87	0
3SP	3,055	820	739	0	809	596	6,733	23
3BRCRT	29,024	1,722	2,404	0	2,633	1,247	1,511	2,090
3BRO	99,902	15,400	9,485	0	10,389	2,632	17,255	12,619
3NPCRT	2,556	140	219	0	240	11	191	793
3NPO	16,325	2,726	1,757	0	1,924	571	4,219	8,497
4ZPP	13,162	781	1,105	0	1,210	442	296	430
4BPM	7,141	581	693	0	759	720	1,626	176
4SPC	4,308	186	369	0	405	9	599	10
4LIB	1,233	124	90	0	98	1	0	0
USPS	4,167	1,077	1,792	221	1,963	1,899	13,917	2,734
Free	710	1	46	0	50	2	1	0
Intl	4,066	736	980	0	1,073	3,695	1,077	28
Registry	90	9	324	0	355	2,120	26	19
Certified	0	0	1,783	0	1,953	11,279	1	0
Insurance	0	0	466	0	511	243	0	0
COD	0	0	50	0	55	127	0	0
Money Ord	0	0	1,744	0	1,911	0	0	0
Stamp Env	0	0	58	0	64	0	0	0
Sp Hndlng	0	2	6	0	6	0	0	0
PO Box	0	0	1,368	0	1,499	0	0	0
Other Special Svs	386	0	855	0	936	1,791	9,202	79
Total	524,905	130,634	86,120	1,578	94,324	59,408	258,319	42,369

Estimated Volume-Variable Cost by Subclass and Cost Pool
Uses Broadened Mixed-Mail Distribution Method from Response to MPA/USPS-T16-17(b)

Attachment 2
Response to MPA/USPS-T16-17
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Subclass	Subtotal MODS	Non-MODS MANL	Non-MODS MANF	Non-MODS MANP	Non-MODS AUTO/MEC	Non-MODS REGISTRY	Non-MODS EXPRESS
1st L&P	3,990,224	434,609	154,843	14,204	75,713	2,338	0
1PreL	963,123	118,697	15,073	1,094	38,607	891	0
1Cds	150,576	23,169	0	5	2,106	1	0
1PreC	26,665	7,572	0	3	1,537	1	0
Priority	523,258	2,362	23,160	51,796	272	315	0
Express	82,584	142	686	143	9	270	6,434
Mailgrams	173	0	0	0	0	0	0
2IC	7,305	831	3,205	32	3	0	0
2Reg	400,072	6,476	75,276	1,760	724	231	0
2NP	69,219	381	11,020	108	170	1	0
2CL	3,010	4	1,064	1	3	0	0
3SP	63,204	2,219	4,749	1,739	825	2	0
3BRCRT	203,872	14,839	21,765	259	4,813	175	86
3BRO	1,408,926	103,806	174,800	22,344	23,056	184	0
3NPCRT	33,964	1,916	2,645	6	785	1	0
3NPO	318,412	35,448	19,359	1,224	4,987	111	0
4ZPP	70,236	915	611	20,659	165	58	0
4BPM	42,457	74	3,293	8,749	37	6	0
4SPC	29,439	9	1,124	5,465	5	3	0
4LIB	4,507	2	209	1,102	1	0	0
USPS	84,697	4,434	2,004	3,719	295	782	255
Free	8,747	477	34	942	150	1	0
Intl	222,691	4,066	1,130	904	338	840	0
Registry	33,336	0	0	0	8	2,792	0
Certified	15,216	4	0	0	2	0	0
Insurance	1,335	0	0	0	0	0	0
COD	341	0	0	0	0	0	0
Money Ord	3,655	0	0	0	0	0	0
Stamp Env	122	0	0	0	0	0	0
Sp Hndlng	294	0	0	0	0	0	0
PO Box	2,867	0	0	0	0	0	0
Other Special Svs	33,568	0	0	0	2	0	0
Total	8,808,098	762,451	516,050	136,259	154,637	9,006	6,775

Estimated Volume-Variable Cost by Subclass and Cost Pool
Uses Broadened Mixed-Mail Distribution Method from Response to MPA/USPS-T16-17(b)

Subclass	Non-MODS ALLIED	Non-MODS MISC	ıbtotal Non-MODS	BMC SSM	BMC OTHR	BMC PSM	BMC SPB
1st L&P	219,296	78,007	979,011	86	1,090	477	565
1PreL	59,165	24,176	257,703	0	241	50	0
1Cds	5,012	2,591	32,887	0	179	0	0
1PreC	1,372	1,129	11,614	0	0	0	0
Priority	33,028	7,456	118,389	103	1,429	978	364
Express	5,100	1,404	14,189	0	0	0	0
Mailgrams	0	0	0	0	0	0	0
2IC	1,098	209	5,378	12	63	0	20
2Reg	35,199	7,766	127,433	3,385	11,008	67	2,979
2NP	6,660	953	19,293	909	2,550	139	153
2CL	377	60	1,510	317	250	0	82
3SP	3,820	2,640	15,993	542	4,722	1,871	2,238
3BRCRT	32,611	4,195	78,744	2,184	6,567	437	1,594
3BRO	103,418	24,964	452,572	12,582	95,284	33,053	34,690
3NPCRT	3,027	407	8,787	363	1,599	557	358
3NPO	17,210	4,048	82,387	2,233	13,209	1,842	4,360
4ZPP	14,659	2,497	39,584	5,163	49,181	15,348	5,821
4BPM	5,980	1,198	19,338	2,217	21,771	16,526	2,412
4SPC	2,467	555	9,627	1,461	15,447	13,331	1,296
4LIB	663	78	2,054	0	1,482	1,497	83
USPS	5,123	3,001	19,613	101	7,337	662	1,894
Free	1,335	122	3,062	257	755	548	252
Intl	2,127	845	10,251	2,298	13,844	5,313	5,018
Registry	1	1,126	3,928	0	118	0	0
Certified	2	16,836	16,845	0	0	0	0
Insurance	0	538	538	0	0	0	0
COD	0	322	322	0	0	0	0
Money Ord	0	0	0	0	0	0	0
Stamp Env	0	0	0	0	0	0	0
Sp Hndlng	0	0	0	0	0	0	0
PO Box	0	0	0	0	0	0	0
Other Special Svs	1	7,710	7,713	0	439	0	0
Total	558,750	194,834	2,338,763	34,213	248,585	92,698	64,180

Estimated Volume-Variable Cost by Subclass and Cost Pool
Uses Broadened Mixed-Mail Distribution Method from Response to MPA/USPS-T16-17(b)

Subclass	BMC NMO	BMC Platform	Subtotal BMC	Grand Total
1st L&P	183	704	3,105	4,972,340
1PreL	0	161	452	1,221,279
1Cds	1	60	239	183,703
1PreC	0	0	0	38,278
Priority	643	1,392	4,911	646,558
Express	0	0	0	96,773
Mailgrams	0	0	0	173
2IC	0	58	153	12,836
2Reg	36	7,932	25,408	552,912
2NP	361	2,335	6,447	94,960
2CL	1	220	870	5,391
3SP	850	3,516	13,738	92,936
3BRCRT	347	5,189	16,318	298,934
3BRO	7,340	69,602	252,551	2,114,049
3NPCRT	4	1,376	4,256	47,007
3NPO	574	8,766	30,985	431,783
4ZPP	13,980	45,306	134,800	244,620
4BPM	3,069	19,488	65,484	127,279
4SPC	1,879	13,705	47,118	86,185
4LIB	884	1,348	5,294	11,655
USPS	1,891	4,321	16,206	130,516
Free	12	550	2,373	14,182
Intl	1,767	10,432	38,673	271,614
Registry	0	89	208	37,472
Certified	0	0	0	32,062
Insurance	0	0	0	1,874
COD	0	0	0	663
Money Ord	0	0	0	3,655
Stamp Env	0	0	0	122
Sp Hndlng	0	0	0	294
PO Box	0	0	0	2,867
Other Special Svs	1	168	608	41,890
Total	33,824	196,718	670,198	11,817,059

Estimated Distribution Key Shares by Subclass and Cost Pool
Uses Broadened Mixed-Mail Distribution Method from Response to MPA/USPS-T16-17(b)

Attachment 3
Response to MPA/USPS-T16-17

Subclass	MODS bcs	MODS ocr	MODS fsm	MODS lsm	MODS 1SackS_m	MODS mecparc	MODS spbs Oth	MODS spbsPrio
1st L&P	50.3%	64.4%	45.1%	70.5%	34.5%	6.5%	20.3%	12.3%
1PreL	24.3%	14.4%	4.1%	11.9%	9.5%	2.5%	2.4%	1.7%
1Cds	1.4%	2.7%	0.1%	5.9%	1.2%	0.0%	0.0%	0.0%
1PreC	0.5%	0.4%	0.0%	0.5%	0.2%	0.0%	0.0%	0.0%
Priority	0.1%	0.1%	1.8%	0.3%	8.2%	50.2%	8.0%	68.3%
Express	0.0%	0.0%	0.0%	0.0%	1.0%	0.3%	0.1%	0.7%
Mailgrams	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2IC	0.0%	0.0%	0.1%	0.0%	0.1%	0.0%	0.0%	0.0%
2Reg	0.1%	0.0%	7.5%	0.0%	8.5%	5.8%	9.5%	4.2%
2NP	0.1%	0.1%	1.2%	0.0%	1.2%	0.9%	1.9%	0.8%
2CL	0.0%	0.0%	0.1%	0.0%	0.2%	0.0%	0.0%	0.0%
3SP	0.5%	0.4%	0.9%	0.1%	1.1%	1.7%	1.4%	0.3%
3BRCRT	2.1%	2.3%	1.9%	0.0%	3.1%	1.2%	8.3%	1.3%
3BRO	14.4%	9.5%	30.6%	5.5%	18.3%	10.2%	34.9%	4.6%
3NPCRT	0.5%	0.3%	0.3%	0.0%	0.6%	1.0%	0.6%	0.2%
3NPO	4.5%	3.2%	4.0%	2.6%	3.9%	0.2%	5.1%	0.4%
4ZPP	0.0%	0.0%	0.1%	0.0%	2.4%	6.8%	1.4%	1.1%
4BPM	0.0%	0.0%	0.4%	0.0%	0.8%	2.4%	2.0%	0.2%
4SPC	0.0%	0.0%	0.3%	0.0%	0.3%	1.3%	1.4%	0.2%
4LIB	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	0.0%
USPS	0.2%	0.3%	0.6%	0.8%	0.7%	7.2%	0.9%	1.6%
Free	0.0%	0.0%	0.1%	0.0%	0.1%	0.0%	0.6%	0.3%
Intl	1.0%	1.8%	0.9%	1.9%	3.6%	1.8%	0.9%	1.6%
Registry	0.0%	0.0%	0.0%	0.0%	0.2%	0.1%	0.0%	0.0%
Certified	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Insurance	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
COD	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Money Ord	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Stamp Env	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Sp Hndlng	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
PO Box	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other Special Svs	0.2%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Estimated Distribution Key Shares by Subclass and Cost Pool
Uses Broadened Mixed-Mail Distribution Method from Response to MPA/USPS-T16-17(b)

Subclass	MODS manf	MODS manl	MODS manp	MODS Priority	MODS Id15	MODS 1bulk pr	MODS 1cancMPP	MODS 1OpBulk
1st L&P	37.3%	60.4%	15.9%	4.7%	70.8%	39.8%	83.6%	35.1%
1PreL	4.1%	10.9%	2.8%	0.3%	13.2%	17.9%	4.5%	9.0%
1Cds	0.1%	4.9%	0.0%	0.0%	2.3%	1.3%	2.2%	1.3%
1PreC	0.0%	0.8%	0.0%	0.0%	0.1%	0.2%	0.1%	0.2%
Priority	2.4%	0.4%	26.7%	86.3%	0.1%	4.9%	3.2%	4.8%
Express	0.0%	0.1%	0.5%	1.4%	0.0%	0.6%	0.0%	0.7%
Mailgrams	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2IC	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
2Reg	16.0%	0.8%	4.2%	0.4%	0.0%	4.5%	0.4%	6.4%
2NP	2.4%	0.2%	0.6%	0.1%	0.0%	0.6%	0.1%	1.0%
2CL	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
3SP	0.9%	0.5%	0.9%	0.2%	0.2%	1.1%	0.4%	0.7%
3BRCRT	1.8%	1.0%	3.1%	0.6%	0.8%	4.4%	0.2%	4.5%
3BRO	26.6%	12.2%	14.2%	1.1%	6.1%	15.6%	2.3%	25.6%
3NPCRT	0.4%	0.3%	0.1%	0.0%	0.5%	0.3%	0.1%	0.7%
3NPO	4.9%	4.9%	0.3%	0.1%	2.3%	4.0%	0.6%	5.1%
4ZPP	0.1%	0.1%	17.3%	0.5%	0.0%	0.6%	0.2%	0.9%
4BPM	0.5%	0.1%	5.8%	0.1%	0.0%	0.4%	0.1%	0.8%
4SPC	0.3%	0.0%	4.5%	0.1%	0.0%	0.3%	0.2%	0.3%
4LIB	0.1%	0.0%	0.0%	0.0%	0.0%	0.5%	0.1%	0.1%
USPS	0.5%	0.9%	1.4%	2.2%	0.2%	0.7%	0.7%	0.7%
Free	0.0%	0.1%	0.4%	0.0%	0.0%	0.1%	0.0%	0.2%
Intl	1.0%	1.2%	1.1%	1.8%	3.4%	2.0%	1.0%	1.7%
Registry	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	0.0%	0.1%
Certified	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Insurance	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
COD	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Money Ord	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Stamp Env	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Sp Hndlng	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
PO Box	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other Special Svs	0.0%	0.2%	0.0%	0.0%	0.0%	0.1%	0.0%	0.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Estimated Distribution Key Shares by Subclass and Cost Pool
Uses Broadened Mixed-Mail Distribution Method from Response to MPA/USPS-T16-17(b)

Subclass	MODS 1OpPref	MODS 1Platform	MODS 1Pouching	MODS 1SackS_h	MODS 1scan	MODS 1EEqmt	MODS 1Support	MODS BusReply
1st L&P	43.0%	39.4%	43.4%	35.6%	39.6%	37.7%	46.2%	28.0%
1PreL	10.1%	9.4%	10.4%	9.1%	10.6%	9.3%	10.4%	3.5%
1Cds	1.3%	1.3%	1.3%	1.2%	1.3%	1.5%	1.7%	1.0%
1PreC	0.3%	0.3%	0.3%	0.2%	0.2%	0.3%	0.3%	0.0%
Priority	7.7%	9.8%	7.9%	9.7%	15.2%	5.4%	5.9%	3.6%
Express	0.8%	1.2%	1.0%	1.2%	3.6%	1.2%	0.9%	0.0%
Mailgrams	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2IC	0.1%	0.1%	0.1%	0.2%	0.1%	0.1%	0.1%	0.0%
2Reg	7.5%	5.9%	5.8%	8.7%	4.1%	5.6%	4.4%	0.2%
2NP	1.0%	1.0%	0.8%	1.3%	0.6%	1.8%	0.7%	0.0%
2CL	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%
3SP	0.8%	0.9%	0.8%	0.8%	0.6%	0.9%	0.7%	1.5%
3BRCRT	2.6%	2.9%	2.4%	3.9%	2.1%	3.1%	2.2%	0.1%
3BRO	15.7%	16.2%	16.3%	16.9%	13.4%	14.7%	16.4%	1.1%
3NPCRT	0.4%	0.4%	0.3%	0.5%	0.3%	0.5%	0.4%	0.3%
3NPO	3.4%	3.5%	3.5%	3.6%	3.1%	3.3%	3.8%	0.1%
4ZPP	0.9%	1.9%	0.9%	2.0%	0.8%	0.8%	0.7%	1.9%
4BPM	0.6%	0.8%	0.5%	0.9%	0.4%	0.5%	0.4%	0.1%
4SPC	0.3%	0.5%	0.3%	0.4%	0.4%	8.7%	0.3%	1.7%
4LIB	0.1%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%
USPS	0.9%	1.0%	0.8%	0.8%	0.9%	1.0%	0.9%	8.3%
Free	0.2%	0.1%	0.2%	0.4%	0.1%	0.1%	0.1%	0.0%
Intl	2.2%	2.7%	2.6%	2.3%	2.4%	3.1%	2.8%	0.3%
Registry	0.1%	0.3%	0.1%	0.1%	0.1%	0.2%	0.4%	0.0%
Certified	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Insurance	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
COD	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Money Ord	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Stamp Env	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Sp Hndlng	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
PO Box	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other Special Svs	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%	0.3%	48.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Estimated Distribution Key Shares by Subclass and Cost Pool
Uses Broadened Mixed-Mail Distribution Method from Response to MPA/USPS-T16-17(b)

Subclass	MODS Express	MODS Mailgram	MODS Misc	MODS Registry	MODS Rewrap	MODS Intl	MODS LD41	MODS LD42
1st L&P	6.5%	0.0%	46.2%	9.3%	54.0%	4.7%	43.8%	49.8%
1PreL	0.2%	0.0%	10.4%	0.9%	6.1%	1.8%	33.2%	9.7%
1Cds	0.2%	0.0%	1.7%	0.8%	4.5%	0.6%	0.9%	3.1%
1PreC	0.2%	0.0%	0.3%	0.0%	0.0%	0.2%	0.3%	0.0%
Priority	1.5%	0.0%	5.9%	0.9%	11.2%	2.5%	0.5%	2.6%
Express	72.9%	0.0%	0.9%	2.5%	0.0%	2.4%	0.0%	0.1%
Mailgrams	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2IC	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
2Reg	0.4%	0.0%	4.4%	0.2%	0.9%	0.3%	0.1%	3.8%
2NP	0.1%	0.0%	0.7%	0.0%	0.0%	0.0%	0.7%	1.5%
2CL	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
3SP	0.1%	0.0%	0.7%	1.2%	0.9%	0.0%	0.0%	0.1%
3BRCRT	0.2%	0.0%	2.2%	0.0%	0.1%	0.1%	4.2%	3.0%
3BRO	2.0%	100.0%	16.4%	0.1%	10.2%	1.2%	13.1%	22.1%
3NPCRT	0.0%	0.0%	0.4%	0.0%	0.0%	0.3%	1.0%	1.0%
3NPO	0.3%	0.0%	3.8%	0.1%	1.0%	0.4%	1.7%	0.4%
4ZPP	0.1%	0.0%	0.7%	1.3%	4.2%	2.2%	0.1%	0.0%
4BPM	0.0%	0.0%	0.4%	0.0%	0.0%	0.2%	0.0%	0.0%
4SPC	0.0%	0.0%	0.3%	0.2%	1.8%	0.0%	0.0%	0.0%
4LIB	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
USPS	5.7%	0.0%	0.9%	15.1%	1.2%	0.6%	0.3%	2.4%
Free	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Intl	9.5%	0.0%	2.8%	16.9%	3.7%	81.5%	0.2%	0.2%
Registry	0.1%	0.0%	0.4%	50.4%	0.0%	1.0%	0.0%	0.0%
Certified	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Insurance	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
COD	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Money Ord	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Stamp Env	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Sp Hndlng	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
PO Box	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other Special Svs	0.2%	0.0%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Estimated Distribution Key Shares by Subclass and Cost Pool
Uses Broadened Mixed-Mail Distribution Method from Response to MPA/USPS-T16-17(b)

Subclass	MODS LD43	MODS LD44	MODS LD48_Adm	MODS LD48_Exp	MODS LD48_Oth	MODS LD48_SpSv	MODS LD49	MODS LD79
1st L&P	36.3%	53.5%	42.7%	28.3%	42.7%	34.1%	38.1%	15.1%
1PreL	9.9%	17.3%	11.6%	0.0%	11.6%	4.3%	23.8%	14.3%
1Cds	1.2%	0.8%	2.0%	0.0%	2.0%	1.5%	2.5%	1.6%
1PreC	0.2%	0.1%	0.3%	0.0%	0.3%	0.0%	0.8%	0.0%
Priority	9.4%	4.6%	5.8%	6.6%	5.8%	3.6%	1.0%	1.1%
Express	0.6%	0.7%	1.5%	51.1%	1.5%	8.9%	0.0%	0.1%
Mailgrams	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2IC	0.2%	0.1%	0.2%	0.0%	0.2%	0.4%	0.2%	0.4%
2Reg	5.8%	3.8%	4.4%	0.0%	4.4%	1.0%	8.7%	1.4%
2NP	0.9%	0.5%	1.0%	0.0%	1.0%	0.0%	3.0%	1.1%
2CL	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
3SP	0.6%	0.6%	0.9%	0.0%	0.9%	1.0%	2.6%	0.1%
3BRCRT	5.5%	1.3%	2.8%	0.0%	2.8%	2.1%	0.6%	4.9%
3BRO	19.0%	11.8%	11.0%	0.0%	11.0%	4.4%	6.7%	29.8%
3NPCRT	0.5%	0.1%	0.3%	0.0%	0.3%	0.0%	0.1%	1.9%
3NPO	3.1%	2.1%	2.0%	0.0%	2.0%	1.0%	1.6%	20.1%
4ZPP	2.5%	0.6%	1.3%	0.0%	1.3%	0.7%	0.1%	1.0%
4BPM	1.4%	0.4%	0.8%	0.0%	0.8%	1.2%	0.6%	0.4%
4SPC	0.8%	0.1%	0.4%	0.0%	0.4%	0.0%	0.2%	0.0%
4LIB	0.2%	0.1%	0.1%	0.0%	0.1%	0.0%	0.0%	0.0%
USPS	0.8%	0.8%	2.1%	14.0%	2.1%	3.2%	5.4%	6.5%
Free	0.1%	0.0%	0.1%	0.0%	0.1%	0.0%	0.0%	0.0%
Intl	0.8%	0.6%	1.1%	0.0%	1.1%	6.2%	0.4%	0.1%
Registry	0.0%	0.0%	0.4%	0.0%	0.4%	3.6%	0.0%	0.0%
Certified	0.0%	0.0%	2.1%	0.0%	2.1%	19.0%	0.0%	0.0%
Insurance	0.0%	0.0%	0.5%	0.0%	0.5%	0.4%	0.0%	0.0%
COD	0.0%	0.0%	0.1%	0.0%	0.1%	0.2%	0.0%	0.0%
Money Ord	0.0%	0.0%	2.0%	0.0%	2.0%	0.0%	0.0%	0.0%
Stamp Env	0.0%	0.0%	0.1%	0.0%	0.1%	0.0%	0.0%	0.0%
Sp Hndlng	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
PO Box	0.0%	0.0%	1.6%	0.0%	1.6%	0.0%	0.0%	0.0%
Other Special Svs	0.1%	0.0%	1.0%	0.0%	1.0%	3.0%	3.6%	0.2%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Estimated Distribution Key Shares by Subclass and Cost Pool
Uses Broadened Mixed-Mail Distribution Method from Response to MPA/USPS-T16-17(b)

Subclass	Non-MODS MANL	Non-MODS MANF	Non-MODS MANP	Non-MODS AUTO/MEC	Non-MODS REGISTRY	Non-MODS EXPRESS	Non-MODS ALLIED
1st L&P	57.0%	30.0%	10.4%	49.0%	26.0%	0.0%	39.2%
1PreL	15.6%	2.9%	0.8%	25.0%	9.9%	0.0%	10.6%
1Cds	3.0%	0.0%	0.0%	1.4%	0.0%	0.0%	0.9%
1PreC	1.0%	0.0%	0.0%	1.0%	0.0%	0.0%	0.2%
Priority	0.3%	4.5%	38.0%	0.2%	3.5%	0.0%	5.9%
Express	0.0%	0.1%	0.1%	0.0%	3.0%	95.0%	0.9%
Mailgrams	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2IC	0.1%	0.6%	0.0%	0.0%	0.0%	0.0%	0.2%
2Reg	0.8%	14.6%	1.3%	0.5%	2.6%	0.0%	6.3%
2NP	0.1%	2.1%	0.1%	0.1%	0.0%	0.0%	1.2%
2CL	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%	0.1%
3SP	0.3%	0.9%	1.3%	0.5%	0.0%	0.0%	0.7%
3BRCRT	1.9%	4.2%	0.2%	3.1%	1.9%	1.3%	5.8%
3BRO	13.6%	33.9%	16.4%	14.9%	2.0%	0.0%	18.5%
3NPCRT	0.3%	0.5%	0.0%	0.5%	0.0%	0.0%	0.5%
3NPO	4.6%	3.8%	0.9%	3.2%	1.2%	0.0%	3.1%
4ZPP	0.1%	0.1%	15.2%	0.1%	0.6%	0.0%	2.6%
4BPM	0.0%	0.6%	6.4%	0.0%	0.1%	0.0%	1.1%
4SPC	0.0%	0.2%	4.0%	0.0%	0.0%	0.0%	0.4%
4LIB	0.0%	0.0%	0.8%	0.0%	0.0%	0.0%	0.1%
USPS	0.6%	0.4%	2.7%	0.2%	8.7%	3.8%	0.9%
Free	0.1%	0.0%	0.7%	0.1%	0.0%	0.0%	0.2%
Intl	0.5%	0.2%	0.7%	0.2%	9.3%	0.0%	0.4%
Registry	0.0%	0.0%	0.0%	0.0%	31.0%	0.0%	0.0%
Certified	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Insurance	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
COD	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Money Ord	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Stamp Env	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Sp Hndlng	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
PO Box	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other Special Svs	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Estimated Distribution Key Shares by Subclass and Cost Pool
Uses Broadened Mixed-Mail Distribution Method from Response to MPA/USPS-T16-17(b)

Subclass	Non-MODS MISC	BMC SSM	BMC OTHR	BMC PSM	BMC SPB	BMC NMO	BMC Platform
1st L&P	40.0%	0.3%	0.4%	0.5%	0.9%	0.5%	0.4%
1PreL	12.4%	0.0%	0.1%	0.1%	0.0%	0.0%	0.1%
1Cds	1.3%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%
1PreC	0.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Priority	3.8%	0.3%	0.6%	1.1%	0.6%	1.9%	0.7%
Express	0.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Mailgrams	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2IC	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2Reg	4.0%	9.9%	4.4%	0.1%	4.6%	0.1%	4.0%
2NP	0.5%	2.7%	1.0%	0.2%	0.2%	1.1%	1.2%
2CL	0.0%	0.9%	0.1%	0.0%	0.1%	0.0%	0.1%
3SP	1.4%	1.6%	1.9%	2.0%	3.5%	2.5%	1.8%
3BRCRT	2.2%	6.4%	2.6%	0.5%	2.5%	1.0%	2.6%
3BRO	12.8%	36.8%	38.3%	35.7%	54.1%	21.7%	35.4%
3NPCRT	0.2%	1.1%	0.6%	0.6%	0.6%	0.0%	0.7%
3NPO	2.1%	6.5%	5.3%	2.0%	6.8%	1.7%	4.5%
4ZPP	1.3%	15.1%	19.8%	16.6%	9.1%	41.3%	23.0%
4BPM	0.6%	6.5%	8.8%	17.8%	3.8%	9.1%	9.9%
4SPC	0.3%	4.3%	6.2%	14.4%	2.0%	5.6%	7.0%
4LIB	0.0%	0.0%	0.6%	1.6%	0.1%	2.6%	0.7%
USPS	1.5%	0.3%	3.0%	0.7%	3.0%	5.6%	2.2%
Free	0.1%	0.8%	0.3%	0.6%	0.4%	0.0%	0.3%
Intl	0.4%	6.7%	5.6%	5.7%	7.8%	5.2%	5.3%
Registry	0.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Certified	8.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Insurance	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
COD	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Money Ord	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Stamp Env	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Sp Hndlng	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
PO Box	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other Special Svs	4.0%	0.0%	0.2%	0.0%	0.0%	0.0%	0.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

David R. Fronk (USPS-T-33)

RESPONSE OF U.S. POSTAL SERVICE TO QUESTIONS POSED DURING THE ORAL TESTIMONY OF USPS WITNESS FRONK

TR. 12/4894-95. [By Mr. Costich] Mr. Chairman, could I ask that the Postal Service provide these short paid volumes and revenues broken down by the exact amount short paid [referring to the row labeled "varies"]?

RESPONSE: The requested data are being supplied in electronic form in USPS-LR-I-312.

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Tr. 12/4907. [By Mr. Costich] Could I ask that the Postal Service provide a breakdown or a further demonstration of how that attributable cost number was calculated in the Christensen Associates paper [referring to response to OCA/USPS-121(c)].

RESPONSE: This question requests information about a document prepared by an outside consultant and presented to the Postal Service. This response provides the information requested, but should not be considered as an endorsement of either the methodologies employed or the results reported.

The derivation of the total cost associated with nonpresort FIM letters for FY 97 of $0.37 billion used to estimate the contribution per piece as reported in USPS-LR-I-121 is described here.

Derivation of total cost for Nonpresort FIM letters (Contribution per piece analysis; Christensen Associates)	
$0.0455	Attributable unit cost FY97 – nonpresort FIM letters (average cost by Cost Segment; derived from CRA data, as described below)
x 8.23	Volume (billions)
= $0.37	Cost (billions) – Nonpresort FIM letters

In general the methodology used to derive the attributable unit cost for nonpresort FIM letters for FY97 distributes CRA costs or MODS-based costs to shape and type using the appropriate distribution keys. Average cost by shape (FIM letters, non-FIM script letters, non-FIM non-script letters, flats, parcels) was derived by cost segment. The resulting sum gives the attributable unit cost for FY97 of $0.0455.

Derivation of attributable unit cost FY97 for nonpresort FIM letters		
Cost Segment	Average Cost	Source/derivation
CS 1 Postmasters	0.0017	Total CRA volume variable cost is distributed to shape using DPS revenue shares. Resulting cost for letters is then distributed to type using ODIS volume shares.
CS 3.1 Mail Process.	0.0132	Total IOCS volume variable cost* is

		distributed to shape and type using IOCS (direct and mixed) shares. Separate keys are developed for Function 1 & BMC pools and Function 4 & non-MODS pools.
CS 3.2 Window Service	0.0111	Total IOCS volume variable cost* is distributed to shape and type using IOCS (direct and mixed) shares. Non-direct costs (CRA costs less IOCS costs) are distributed to shape and type using ODIS volume shares.
CS 6 & 7 City Delivery Carrier	0.0084	In-Office: Total IOCS volume variable cost* is distributed to shape and type using IOCS (direct and mixed) shares. IOCS costs are adjusted for in-office support. Route time: Total CRA volume variable cost is distributed to shape and type using ODIS volume shares. Access time: Total CRA volume variable cost is distributed to shape and type using ODIS volume shares. Elemental load: Total CRA volume variable cost is distributed to shape using elemental load keys from CRA worksheets. Resulting cost for letters is then distributed to type using ODIS volume shares. Street Support: Total CRA volume variable cost is distributed to shape and type using composite totals from C/S 6 to C/S 7.3 Piggybacked costs: Total costs for C/S 6 to C/S 7.5 are adjusted for piggybacked costs (same piggyback factor for each shape and type).
CS 8 Vehicle Service Drivers	0.0005	Total CRA volume variable cost is distributed to shape using cube data. Cube data are based on DPS weight data by shape multiplied by density constants that are established in Supplement 1 of USPS-LR-MCR-13. CRA costs are adjusted for piggybacked costs. Resulting cost for letters is then distributed to type using ODIS volume shares.

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CS 10 Rural Delivery Carrier	0.0043	Total CRA volume variable cost is distributed to shape using rural carrier keys from CRA worksheets. CRA costs are adjusted for piggybacked costs. Resulting cost for letters is then distributed to type using ODIS volume shares.
CS 14 Transportation	0.0063	Domestic Air: Total CRA volume variable cost is distributed to shape using DPS weight shares. Resulting cost for letters is then distributed to type using ODIS volume shares. Domestic Highway: Total CRA volume variable cost is distributed to shape using cube data. Cube data are based on DPS weight data by shape multiplied by density constants that are established in Supplement 1 of USPS-LR-MCR-13. Resulting cost for letters is then distributed to type using ODIS volume shares. Domestic Rail: Total CRA volume variable cost is distributed to shape using cube data. Cube data are based on DPS weight data by shape multiplied by density constants that are established in Supplement 1 of USPS-LR-MCR-13. Resulting cost for letters is then distributed to type using ODIS volume shares. Domestic Water: Total CRA volume variable cost is distributed to shape using DPS weight shares. Resulting cost for letters is then distributed to type using ODIS volume shares.
All other costs	0.0002	The difference between the CRA grand total cost and the sum of all the costs above is distributed to shape and type using ODIS volume shares.
Total	0.0455	

*IOCS costs are adjusted for premium-pay and piggybacked costs.

Herbert B. Hunter (USPS-T-5)

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NNA/USPS-T5-31. Please refer to the response to NNA/USPS-5, which provides a table giving the number of PERMIT offices by Cost Ascertainment Group. Please further refer to the response to NNA/USPS-6, which provides a table giving the number of non-automated offices by Cost Ascertainment Group. Finally, please refer to USPS-LR-I-230, Appendix A, at page 3, which provides a table with the subtitle of "PQI-FY95 2C CENSUS REVENUES BY STRATUM."

a. Please confirm that there were 2,025 PERMIT offices in FY98. If not confirmed, please provide the total number of PERMIT offices in FY98 and please explain the discrepancy with the response to NNA/USPS-5.
b. Please confirm that there were 26,184 non-automated offices in FY98. If not confirmed, please provide the total number of non-automated offices in FY98 and please explain the discrepancy with the response to NNA/USPS-6.
c. Please confirm that the table on page 3 of Appendix A of USPS-LR-I-230 provides information on the panel of non-automated offices for the Periodicals category of mail. If not confirmed, please provide an exact reference to the table in USPS-LR-I-230 with this information.
d. Please provide the meaning of the following column headings used in the table on page 3 of Appendix A of USPS-LR-I-230: RI, RC, RN, RR, RF, RU, and R.
e. Please confirm that the table on page 3 of Appendix A of USPS-LR-I-230 lists 3 strata for PERMIT offices (strata 1 .I, 1.8, and 1.9) and 6 strata for non-automated offices (strata 2.1, 2.2, 2.3, 2.4, 2.5, and 3.0). If not confirmed, please provide a list of the PERMIT and non-automated strata listed on this table.
f. Please provide the definitions of the 9 strata referenced in (e). These definitions should include precise values for the defining revenue ranges.
g. Please confirm that the 3 PERMIT strata included on the table on page 3 of Appendix A of USPS-LR-I-230 represent observations for a population of 1,663 offices. If not confirmed, please explain.
h. Please explain the discrepancy between the number of PERMIT offices listed in (a) and the number of PERMIT offices listed in (g).
i. Please confirm that the 6 non-automated strata included on the table on page 3 of Appendix A of USPS-LR-I-230 represent observations for a population of 6,103 offices. If not confirmed, please explain.
j. Please explain the discrepancy between the number of non-automated offices listed in (b) and the number of non-automated offices listed in (i).
k. Please confirm that the 6 non-automated strata included on the table on page 3 of Appendix A of USPS-LR-I-230 are represented by a combined sample of 25 non-automated offices. If not confirmed, please explain.

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RESPONSE.

a-b. I understand these counts to be correct.

c. Confirmed.

d. These column headings are the survey revenue variables associated with the In-County, Classroom, Nonprofit, Regular, Foreign, unassigned and total categories, respectively.

e. Confirmed.

f. The Strata 1.1, 1.8 and 1.9 categories identified PERMIT System offices, planned PERMIT System office additions, and offices not yet fully on-line at the time of the survey, respectively. The latter two categories served to update the survey with information that had since become available. The Strata 2.1 through 2.5 were constructed based on the following ranges of In-County revenue, in reverse (descending) order respectively: 1-599, 600-1399, 1400-2999, 3000-7299, and 7300 and greater. Stratum 3.0 represented any remaining offices reporting zero In-County revenue or any offices reporting non-zero Classroom revenue that would otherwise have been assigned to strata 2.1 through 2.5.

g. Confirmed.

h. There is no discrepancy. The counts represent two points in time.

i. Confirmed.

j. See my response to part (h).

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k. Not confirmed. Some sampled offices are automated as explained on page 2 of USPS-LR-I-26/R2000-1. In addition, the panel for the Periodicals mail category for the FY 1998 period is of size 2,050 offices and represents both segments of the population.

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NNA/USPS-T5-40. Please refer to your response to NNA/USPS-T5-31(j), in which you were asked to explain the discrepancy between the number of non-automated offices listed in NNA/USPS-T5-31(b) and the number of non-automated offices listed in NNA/USPS-T5-31(i). The first of these numbers refers to a total of 26,184 non-automated offices for FY 98, disaggregated by CAG, that was provided in response to NNA/USPS-6. The second of these numbers refers to a total population of 6,103 offices for the 6 non-automated office strata on the table on page 3 of Appendix A of USPS-LR-I-230.

a. Please confirm that the total population of 6,103 offices for the 6 non-automated office strata on the table on page 3 of Appendix A of USPS-LR-I-230 was derived from a survey of periodicals revenue in non-automated offices that was conducted in PQI of FY 95. If not confirmed, please provide the date of the survey that produced these population figures.

b. Your response to NNA/USPS-T5-31(j) states in its entirety: "See my response to part (h)." Your response to NNA/USPS-T5-31 (h) states, in its entirety: "There is no discrepancy. The counts represent two points in time." Please confirm that the difference between the two numbers of non-automated offices is not solely due to the difference in time between the two estimates. Please further provide an explanation of all other factors that would result in the panel referenced in USPS-LR-I-230 showing 6,103 offices instead of the 26,184 nonautomated offices confirmed in FY 98.

RESPONSE.

a. Not confirmed. See the response to part (b).

b. Confirmed. Interrogatory NNA/USPS-T5(j) asks about the "discrepancy" between the counts, of which there is none. However, a definitional difference exists based on the populations these counts represent; there are 26,184 offices in the non-automated office population for the FY 1998 period, whereas there are 6,103 offices in the sub-population of non-zero Periodicals offices relative to the PQ1, FY 1996 period. The latter count was determined by a survey covering the PQ1, FY 1995, period that was

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updated at the end of the survey year in time for the in time for the FY 1996 end of year period.

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NNA/USPS-T5-41. *Please refer to your response to* NNA/USPS-T5-21 (k), in which you were asked to "confirm that the 6 non-automated strata included on the table on page 3 of Appendix A of USPS-LR-I-230 are represented by a combined sample of 25 non-automated offices." Your response states, in its entirety: "Not confirmed. Some sampled offices are automated as explained on page 2 of USPS-LR-I-23/R2000-1. In addition, the panel for the Periodicals mail category for the BY 1998 period is of size 2,050 offices and represents both segments of the population." Please confirm that the 6 non-automated strata included on the table on page 3 of Appendix A of USPS-LR-I-230 are represented by a combined sample of 25 offices. If not confirmed, please explain.

RESPONSE. To respond to this interrogatory in the affirmative, two assumptions are necessary: the intended reference is to NNA/USPS-T5-31(k), and the term "combined" changes the context of NNA/USPS-T5-31(k) by taking into account both automated and non-automated offices in the six strata. As such, the correct count for the non-automated panel segment for the Periodicals mail category is 25.

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NNA/USPS-T5-42. Please refer to your response to NNA/USPS-T5-37, in which you were asked about the contents of the table on page 3 of Appendix A of USPS-LR-I-230.

c. Please confirm that the figures in this table are for in-county periodicals revenue (column RI) for strata 2.1-2.5 and 3.0 are population estimates calculated by summing the in-county periodicals revenue for the 4 or 5 sample offices in each stratum and then multiplying that sample revenue sum by the blow-up factor for the stratum. If not confirmed, please explain.

RESPONSE.

c. Not confirmed. The figures in the RI column are not estimates, rather they are the population measures of In-County revenue for the survey period.

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NNA/USPS-T5-42. Please refer to your response to NNA/USPS T5-37, in which you were asked about the contents of the table on page 3 of Appendix A of USPS-LR-I-230.

a. Please confirm that the figures in this table for the population count (column NH), the sample size (column NHSAMP), and the blow-up factor (column BLOWUP) are derived from a survey of non-automated offices conducted in PQI of FY96. If not confirmed, please explain.
b. Please confirm that the figures in this table for in-county periodicals revenue (column RI) is derived from data from PQI of FY96. If not confirmed, please explain.
c. Please confirm that the figures in this table are for in-county periodicals revenue (column RI) for strata 2.1-2.5 and 3.0 are population estimates calculated by summing the in-county periodicals revenue for the 4 or 5 sample offices in each stratum and then multiplying that sample revenue sum by the blow-up factor for the stratum. If not confirmed, please explain.

RESPONSE.

a-b. Not confirmed. The figures are derived from a survey of non-automated offices, but see the response to NNA/USPS-T5-40(b) explaining the target, update and implementation periods of the survey.

c. An objection to part (c) has been filed.

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NNA/USPS-T5-43. Please refer to your response to NNA/USPS-T5-31(f) in which you were asked to provide the definitions of the 9 strata listed on the table on page 3 of Appendix A of USPS-LR-I-230. Please refer further to the contents of this table.

c. Please confirm that the referenced table reports a population estimate of $384,104.75 for the in-county periodicals revenue for the 201 offices in Stratum 3.0 for the PQI FY96 period. If not confirmed, please explain.

RESPONSE.

c. Not confirmed. The RI column figure is not an estimate, rather it is the population measure of In-County revenue from the non-zero Classroom rate revenue offices for the survey period.

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NNA/USPS T5-43. Please refer to your response to NNA/USPS-T5-31(f) in which you were asked to provide the definitions of the 9 strata listed on the table on page 3 of Appendix A of USPS-LR-I-230. Please refer further to the contents of this table.

a. Please confirm that Stratum 3.0 was defined as the set of offices that had *non-zero periodicals revenue in the survey period but zero in-county* periodicals revenue. If not confirmed, please explain.
b. Please confirm that there were 201 non-automated offices in the survey period that were placed in Stratum 3.0. If not confirmed, please explain.
c. Please confirm that the referenced table reports a population estimate of $384,104.75 for the in-county periodicals revenue for the 201 offices in Stratum 3.0 for the PQI FY96 period. If not confirmed, please explain.

RESPONSE.

a-b. *Confirmed.*

c. An objection to part (c) has been filed.

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NNA/USPS T5-44. Please refer to your answer to NNA/USPS-T5-33(c), in which you were asked whether the Postal Service has an account identified [sic] code for within county revenues. In your response, you state: "Effective mid-year FY 1999, a revenue account labeled AIC 224 was defined; it is not yet fully established."

a. Please confirm that the newly established AIC 224 corresponds to within county revenues.
b. Please confirm that when AIC 224 is fully established within county revenues will no longer be included in AIC 135.
c. Please state whether the AIC 224 code will be fully established in the test year. If you cannot confirm, please provide the date of full establishment.
d. Please provide within county revenues using AIC 224 for all accounting periods in FY 1999 and FY 2000 for which the use of AIC 224 is fully established. For each such accounting period, please further provide the periodicals revenue using AIC 135.
e. If there are no accounting periods in FY 1999 or FY 2000 for which the use of AIC 224 is fully established, please describe in detail the current level of use of AIC 224. In particular, please state whether there are any offices for which the use of AIC 224 has been fully established. If there are any such offices, please further state the number of such offices.

RESPONSE.

a. Upon the full establishment of this account which includes the corresponding changes to the Form 3541 postage statement series, AIC 224 will correspond to In-County Periodicals revenue.

b. Confirmed.

c. It cannot be known exactly when AIC 224 will be fully established or that it will occur in the test year. Currently, the target start-up period is planned to coincide with the next revision to the Form 3541 postage statement series that is expected to follow the next rate schedule or classification change.

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d-e. This information is not yet available because AIC 224 is not fully established. See the response to part (a). Additionally, the first time establishment of an AIC for In-County postage is a two task process requiring the concomitant development of an In-County only postage statement to facilitate the separate reporting of In-County and outside county postage in the postmaster's SOA (statement of account). See also the response to part (c). The second task requires establishment of the financial revenue reporting framework under the Postal Service's system of accounts. While the framework is complete, some offices are not fully established or on-line with the related SOA reporting process. In the interim until this account is also ready, all periodicals revenue continues to be mapped and reported in the BRPW under the existing total Periodicals revenue AIC 135 account.

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NNA/USPS-T5-45. Please refer to your answer to NNA/USPS-T5-36(k) in which you were asked to explain how the sampling procedure described on page 2 of USPS-LR-I-26 accounts for Periodicals mail from the offices identified in (g) with non-zero Periodicals revenue for that year and zero Periodicals revenue for the previous year." In your answer, you state: "The estimator accounts for changes in Periodicals activity in either direction within the life of the supplemental panel." Please further refer to USPS-LR-I-26 at page 3, which states: "Under the BRPW, point estimates of revenue, volume and weight totals obtained from panel postage statement data controlled to trial balance revenue accounts are constructed for the following mail categories and AIC's.... The estimates of revenue, volume and weight totals for these mail categories are constructed using a combined (strata) ratio estimator." Please further refer to USPS-LR-I-26 at page 4, equation (2), which gives the combined ratio estimator.

b. Please provide the FY 98 ratio of the AIC book revenue for periodicals to the stratified random sample estimate of the AIC book revenue for Periodicals. Please note that in the notation of equation (2) of USPS-LR-I-26, this ratio is X-[subscript]-B divided by X-[hat]-[subscript]-st.

f. Please provide the random sample estimate of the AIC book revenue for each Periodicals subclass disaggregated by stratum for FY98. In other words, please provide a table like the table provided on page 3 of Appendix A of USPS LR-I-230, but provide the revenue estimates for all of FY 98.

RESPONSE.

b. The ratios of book revenue to the stratified random sample estimate of total Periodicals revenue for the PQ1 through PQ4 periods of FY 1998 are 0.98638, 0.99063, 1.03118, and 0.96832, respectively.

f. The table below provides the unadjusted random sample estimates of revenue by subclass and stratum for the GFY 1998 period.

Stratum	In-County	Nonprofit	Regular	Classroom
1.0	47984429	310930168	1588459783	12297236
2.1	2849544	41029	1680083	0

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2.2	5870884	2584398	13383005	0
2.3	12375710	164986	13288558	0
2.4	6477589	737750	16193238	0
2.5	3342648	132463	10812170	0
3.0	1079786	5015621	11170995	0

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NNA/USPS-T5-45. Please refer to your answer to NNA/USPS-T5-36(k) in which you were asked to explain how the sampling procedure described on page 2 of USPS-LR-I-26 accounts for Periodicals mail from the offices identified in (g) with non-zero Periodicals revenue for that year and zero Periodicals revenue for the previous year." In your answer, you state: "The estimator accounts for changes in Periodicals activity in either direction within the life of the supplemental panel." Please further refer to USPS-LR-I-26 at page 3, which states: "Under the BRPW, point estimates of revenue, volume and weight totals obtained from panel postage statement data controlled to trial balance revenue accounts are constructed for the following mail categories and AIC's.... The estimates of revenue, volume and weight totals for these mail categories are constructed using a combined (strata) ratio estimator." Please further refer to USPS-LR-I-26 at page 4, equation (2), which gives the combined ratio estimator.

a. Please confirm that the adjustment to the "AIC book revenue" that is carried out with equation (2) is the portion of the estimation process that you were referring to in your answer to NNA/USPS-T5-36(k) when you stated that "{t}he estimator accounts for changes in Periodicals activity in either direction..." If not confirmed, please explain in detail.
b. Please provide the FY 98 ratio of the AIC book revenue for periodicals to the stratified random sample estimate of the AIC book revenue for Periodicals. Please note that in the notation of equation (2) of USPS-LR-I-26, this ratio is X-[subscript]-B divided by X-[hat]-[subscript]-st.
c. Please confirm that the ratio in (b) is the ratio that was used to adjust the stratified random sample estimates of revenue, pieces and weight for periodicals to produce the final estimates that you reported in Tables 1-3 of your testimony.
d. Please confirm that the stratified random sample estimate of the AIC book revenue for periodicals (X-[subscript]-B in your notation) includes 3 strata of PERMIT offices.
e. For each of the 3 strata of PERMIT offices noted in (d), please state whether there is any difference between the AIC book revenue for periodicals for the stratum and the random sample estimate of the AIC book revenue for periodicals for the stratum. If you state that there is a difference, please explain how this difference can arise when the "random sample estimate" for the 3 strata of PERMIT offices is a certainty sample.
f. Please provide the random sample estimate of the AIC book revenue for each Periodicals subclass disaggregated by stratum for FY98. In other words, please provide a table like the table provided on page 3 of Appendix A of USPS LR-I-230, but provide the revenue estimates for all of FY 98.
g. Please provide the ratio in (b) for each year from FY86 to FY97,

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h. Please provide the total estimated within county revenue derived from PERMIT offices for each year from FY86 to FY97.
i. Please provide the total estimated periodicals revenue derived from PERMIT offices for each year from FY86 to FY97.
j. Please provide the total estimated in-county revenue derived from non-automated offices for each year from F86 to FY97. k. Please provide the total estimated periodicals revenue derived from non-automated offices for each year from F86 to FY97.

RESPONSE.

a. Not confirmed. A Periodicals mailer must observe the circulation based requirements related to the information the mailer reports on the statement of ownership and application to mail under Periodicals. As such, excessive movement in and out of this mail class relative to other mail classes would not be expected. Nevertheless, a first time mailer may begin mailing at either a previous zero or non-zero Periodicals reporting office, or a mailer may cease mailing in part or altogether. Additionally, a mailer may change the In-County only portion independent of the outside county portion consistent with the information reported on the statement of ownership. Though it is not practical from an administrative design standpoint to replace the non-automated office panel as frequently as each year for reason of associated start-up costs, training, error, etc., the BRPW panel nevertheless is updated periodically. For the interim period, a portion of the year-to-year change in Periodicals activity is accounted for in the estimator through the continually expanding automated office

segment, while changes in total revenue (in either direction) are also reflected in the trial balance account AIC 135 used in the numerator of the BRPW estimator.

b-j. An objection to parts (b) through (j) has been filed.

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UPS/USPS-T5-69. Refer to page 3 of your testimony and USPS-LR-I-26, Appendix A. Identify exactly which boxes or input sections on PS Form 3605 are used (i) in the Permit System, and, separately, (ii) in the BRPW system.
(a) Explain which inputs on PS 3605 correspond to the R, W, and P variables used in the BRPW System for Parcel Post.
(b) If any inputs into Job 1 are calculated inputs (Other than summed data) and are not directly obtained from the postage statement, identify which ones they are and explain how the input is calculated.
(c) For Parcel Post, is the W input variable obtained from the Permit System? If so, explain how this variable is derived. If not, what source does it come from? Explain fully.

RESPONSE. My response to this interrogatory is based in part on my understanding of discussions with other postal officials. The revenue and volume information, P and R variables, respectively, are found in Sections B and C on the reverse side of Form 3605 in the "Number of Pieces" and in the non-total postage columns, respectively, for each zone. Because Parcel Post rates are piece-based, detailed weight information is not required to compute postage on the postage statement. For identical piece mailings, the PERMIT System computes the weight, W, for a zone by multiplying the number of pieces for the zone by the single piece weight obtained from the Single-Piece Weight box found at the bottom front of the postage statement. For non-identical piece mailings, the PERMIT System computes the weight for a zone by multiplying the pieces for the zone by the average weight for the mailing, the latter determined by dividing the total weight for the mailing obtained from the Total Weight box found at the bottom front of the postage statement by the total number of pieces from the Total Pieces box also at the bottom front of the postage statement. These same postage statement data are input to the PERMIT System and unchanged for input to the BRPW.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HUNTER
TO INTERROGATORIES OF UNITED PARCEL SERVICE

UPS/USPS-T5-89. Refer to your response to interrogatory UPS/USPS-T5-29, which asked for "detailed tables for FY1998 in similar format [to Tables I-3 of your testimony] by subclass for each mail class, including Inter-BMC, Intra-BMC, and DBMC revenue, piece, and weight estimates." Your response refers to files in the BRPW system which do not present that information without further analysis, and even then refers only to that portion of the estimates presented in Tables 1-3 which comes from the BRPW system (i.e., not including information from that portion of the estimates in Tables 1-3 which comes from the DRPW system). In order to reduce the scope of this request, you need not provide the requested breakdown for mail classes and subclasses other than Parcel Post. However, as requested, please provide Parcel Post revenue, pieces, and weight for FY1998, broken down by Inter-BMC, Intra-BMC, and DBMC, separately for (i) that portion of the information in Tables I-3 of your testimony which comes from the DRPW system, and (ii) that portion of the information in Tables I-3 of your testimony which comes from the BRPW system.

RESPONSE.

i. See the response to UPS/USPS-T4-12(a).

ii. The response to UPS/USPS-T5-29 provides sufficient detail to obtain the requested information. Nevertheless, for the permit imprint parcel post mail category, the three subcategories of Inter-BMC, Intra-BMC and DBMC also are identified by selecting records with RPWCODE values 4100, 4105 and 4160, respectively.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HUNTER
TO INTERROGATORIES OF UNITED PARCEL SERVICE

UPS/USPS-T5-90. Refer to your answer to interrogatory UPS/USPS-T5-27, which asked for "a copy of a report generated from the PERMIT system showing the total volume for Parcel Post separately for (i) Inter-BMC, (ii) Intra-BMC, and (iii) DBMC." Your response indicates that you "understand" that the PERMIT System reports "do not aggregate this information beyond the finance number level." However, you do not indicate that the PERMIT System reports cannot aggregate this information beyond the finance number level. Please provide the requested information aggregated beyond the finance number level.

RESPONSE. I understand that the PERMIT System reports cannot aggregate this information beyond the finance number level.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HUNTER
TO INTERROGATORY OF UNITED PARCEL SERVICE

UPS/USPS-T5-91. Refer to UPS/USPS-T5-30, which requests the SAS logs for each of three jobs and four quarters for the RPW program, LR-I-194. The Postal Service has objected to this request on the grounds of burden and redundancy. To reduce the burden to the Postal Service, UPS is narrowing its request to the following: Provide the correct master rate table input data for Job 2 to allow replication for all mail categories.

RESPONSE. No changes are made to the master rate table input data files labeled BRPW57-60.TXT and BRPW62-64.TXT provided in USPS-LR-I-194/R2000-1. A minor update was made after the FY 1998 period to the Standard Mail (A) master rate file affecting the single VIP Code 08689 for the October 5, 1997 rate schedule. This update was reflected in the file labeled BRPW61.TXT. The original unchanged file is provided in USPS-LR-I-303/R2000-1.

Kirk T. Kaneer (USPS-T-40)

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KANEER TO
INTERROGATORY OF DAVID B. POPKIN
REDIRECTED FROM THE POSTAL SERVICE

DBP/USPS-185 Please refer to your response to DBP/USPS-114[d]. [a] What percentage did you calculate and how did you arrive at it. [b] Please provide insight as to why your percentage calculated are going to Group C. This response is aimed at evaluating the reasonableness of the $10 value.

Response:

[a] DBP/USPS-114 [d] states: "Provide any insight as to why 81% of the Group C facilities w become Group C3, the highest of Group C." The response stated: "I do not know the source of your 81 percent figure, and believe it is not accurate." Furthermore, Mr. Popkin previously filed an interrogatory requesting essentially the same information: DBP/USPS-90 [f] asked fo the percentage of Group C facilities and of Group C boxes that will be transferred to Group C3. That response indicated that averages may be obtained by simple division from data provided in Exhibit USPS-40B, page 2. Thus, the source for obtaining box movements from current fee groups to proposed fee groups has been clearly presented to Mr. Popkin. By performing simple division of two numbers from this exhibit, percentage movements of boxe percent may be easily calculated. In fact, Exhibit USPS-40B, page 2 yields an estimate of only 25 percent of current TYBR Group C boxes being assigned to proposed Group C3: 2,393,763 divided by 9,598,439 (see ln 66, 72, col. C). Furthermore, USPS-LR-I-155 SAS printout, revised March 31, 2000, details the counts and percentage of Group C ZIP Codes classified by the proposed fee groups C3, C4, and C5. Of the estimated 10394 current fee Group C ZIP Codes, 27 percent are assigned to fee Group C3, 26 percent to C4, and 47 percent to C5 -- the lowest proposed fee Group C category.

[b] My testimony, exhibits, and workpapers specifically describe in detail the derivation of th $10 value as a reasonable means to reflect both the underlying space costs and as a mean of mitigating fee shock (see my testimony USPS-T-40, "Constructing Cost Homogeneous Groups" pages 7-11 and "Proposed Post Office Box Classification Structure at 13-15). A reasonable and moderate 25 percent of Group C boxes move to Group C3, the highest option for Group C.

R2000

Linda A. Kingsley (USPS-T-10)

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KINGSLEY TO INTERROGATORIES OF ASSOCIATION OF AMERICAN PUBLISHERS

AAP/USPS-T10-16 Please refer to your response to AAP/USPS-T10-14. In your response you state that Attachment H to the testimony of Postal Service witness Crum and that data supporting that attachment are "not the only evidence that proves this inefficiency of the outdated local entry." You also refer to information being provided on "numerous occasions" from customers that shows that they are depositing mail at facilities addressed to locations outside of that facility's service area. Please provide all documents which represent the "evidence" referred to by your response and which support the alleged inefficiency for BPM. For purposes of your response, you do not need to provide Attachment H of witness Crum's testimony or the Bound Printed Matter Study (USPS-LR-109) referred to in witness Crum's testimony.

Response:

As stated in AAP/USPS-T10-14, this information is often provided from customers directly to delivery units, so documents can not be provided in these cases. We have become aware of many of these situations from verbal complaints originating from delivery units that focus on the negative consequences related to local entry. Finally, during conversations with specific large mailers concerning their upcoming appointment activity, it has been clear that their entry profiles result in the previously stated inefficiencies. Moreover, these are not merely "alleged" inefficiencies, but rather are the virtually inevitable result of rational mailer behavior under the current, outdated requirements.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KINGSLEY TO FOLLOW UP INTERROGATORIES OF McGRAW-HILL COMPANIES INC.

MH/USPS-T10-12 With reference to your statement, in response to MH/USPS-T10-1(d), that your response to ANM/USPS-T10-16 "does NOT indicate a 20% underutilization of FSM 881s":

(f) Please state as precisely as possible when "increased FSM utilization" began to be "tracked and discussed on teleconferences on a regular basis (once or twice per month) between Headquarters and Area operations" (as you state in response to ANM/USPS-T10-16), and explain fully all of the reasons, including concerns with FSM underutilization, that led the Postal Service to focus on increased FSM utilization.

Response:

(f) It is my understanding that "increased FSM utilization" began to be discussed in AP 6, FY 99 along with seven other "indicators" in an attempt to focus the field to improve productivity as a whole and drive overall performance.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KINGSLEY TO FOLLOW UP INTERROGATORIES OF McGRAW-HILL COMPANIES INC.

MH/USPS-T10-14 With reference to your response to MH/USPS-T10-3(a)-(b):

(a) Please state whether the example you give in the third and fourth sentences of your response is equally applicable to First-Class Mail. If you respond in the negative, please explain fully.

(c) Please assume that an average-volume Periodicals mailing (dropship entered at an SCF) arrives at delivery units at 6 am, and has been sorted only to bundles by zone. Please estimate the degree of likelihood that the mail could be sorted to carrier route level at the delivery units in time to deliver the mail to addressees that same day, and explain the factors affecting such degree of likelihood.

Response:

(a) Yes. It is for these very reasons that plants dispatch mail as soon as possible and do not incur further delay.

(c) Every effort would be made to sort the mail to the carrier for same day delivery. However, it would depend on the critical entry time (CET) at both the SCF and delivery unit, the volume of First-Class, Priority, and other Periodicals that also required carrier route sortation for that day and carrier leave times (e.g., 8:30 versus 11 am). Carrier route bundles would have a better likelihood of being delivered that same day than a 5-digit bundle.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KINGSLEY
TO FOLLOW UP INTERROGATORIES OF McGRAW-HILL COMPANIES INC.

MH/USPS-T10-17 With respect to your response to MH/USPS-T10-7:

(a) Please describe all sources and/or bases for your statement in response to MH/USPS-T10-7(a)-(c) that Periodicals are processed in 34 of the P&DC or P&DF annexes.

(f) Please state the total number of annexes, associated with facilities other than P&DCs and/or P&DFs, in which mail is processed, and explain the sources and/or bases of your answer. Please specify the type(s) of facility with which such annexes are associated.

(i) With reference to your response to MH/USPS-T10-7(h), please confirm that only 22 of the annexes at which mail is processed have FSMs. If you do not confirm, please explain fully. Please set forth the sources and/or bases of your answer.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KINGSLEY
TO FOLLOW UP INTERROGATORIES OF McGRAW-HILL COMPANIES INC.

Response:

a. My answer was based on a February, 2000, survey of the Area Managers of In-Plant Support concerning annexes in their respective areas.

f. I do not have a count of non-P&DC/F processing annexes. There are a wide variety of annexes. Some are associated with a BMC, ASF, AMC, or military mail. Many are associated with Customer Service (e.g. carrier annexes) and do not technically "process" mail. Delivery and Distribution Centers/Units are not considered annexes.

i. Confirmed. However, many annexes have other equipment such as SPBS, LIPS or DBCS and would not require an FSM since bundle, parcel, or letter distribution is performed at that location, and not piece distribution for flats.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KINGSLEY TO QUESTION RAISED BY MCGRAW-HILL COMPANIES, INC. DURING HEARINGS

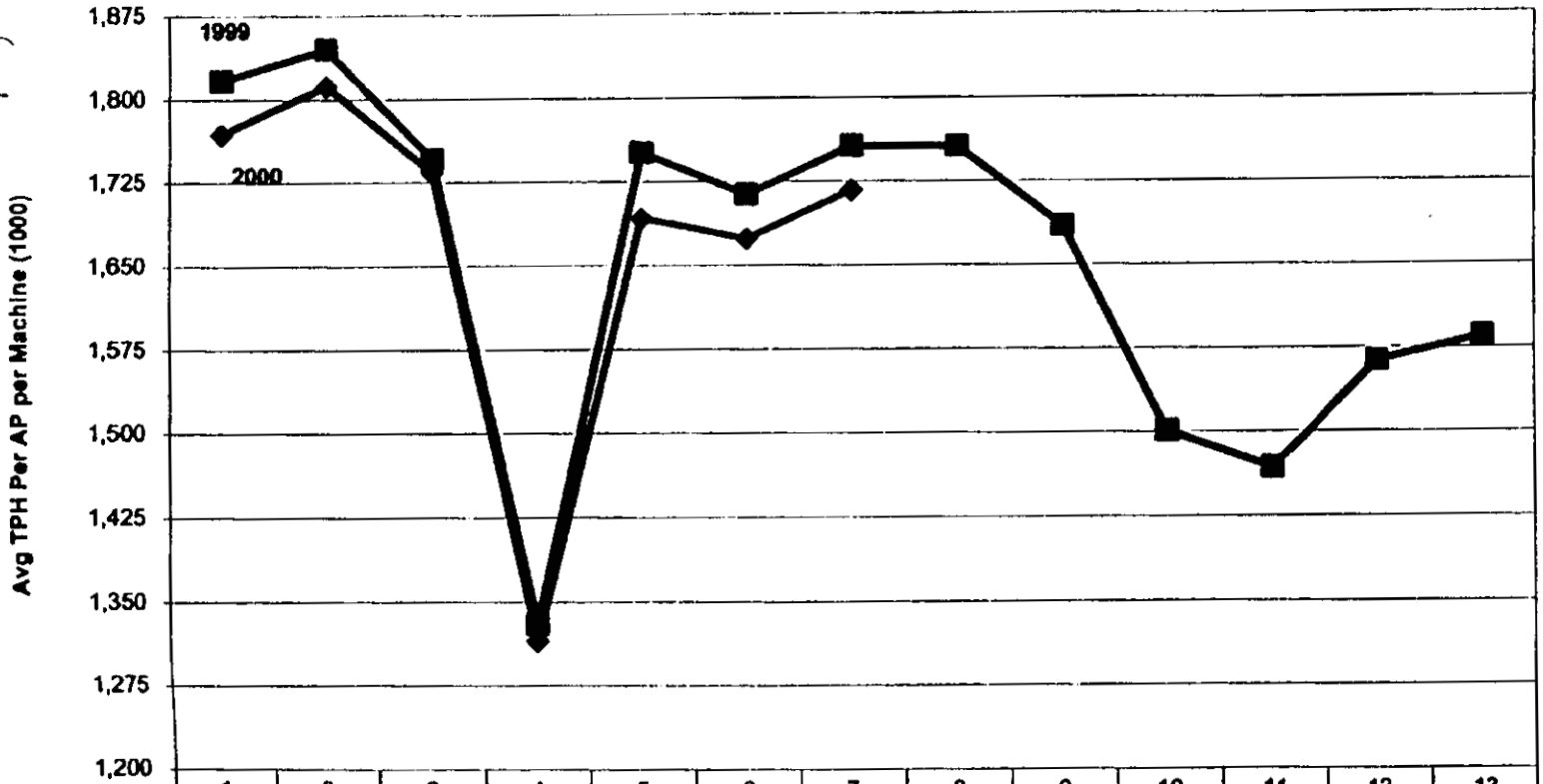
Hearing Question 2 of MH at Tr. 5/ 2059, lines 11-13. I would request production of the FSM utilization indicators for other account periods, to the extent they exist.

Response:

Please see attached charts for FSM 881 and FSM 1000 TPH utilization trends.

8503

FSM 881 Utilization

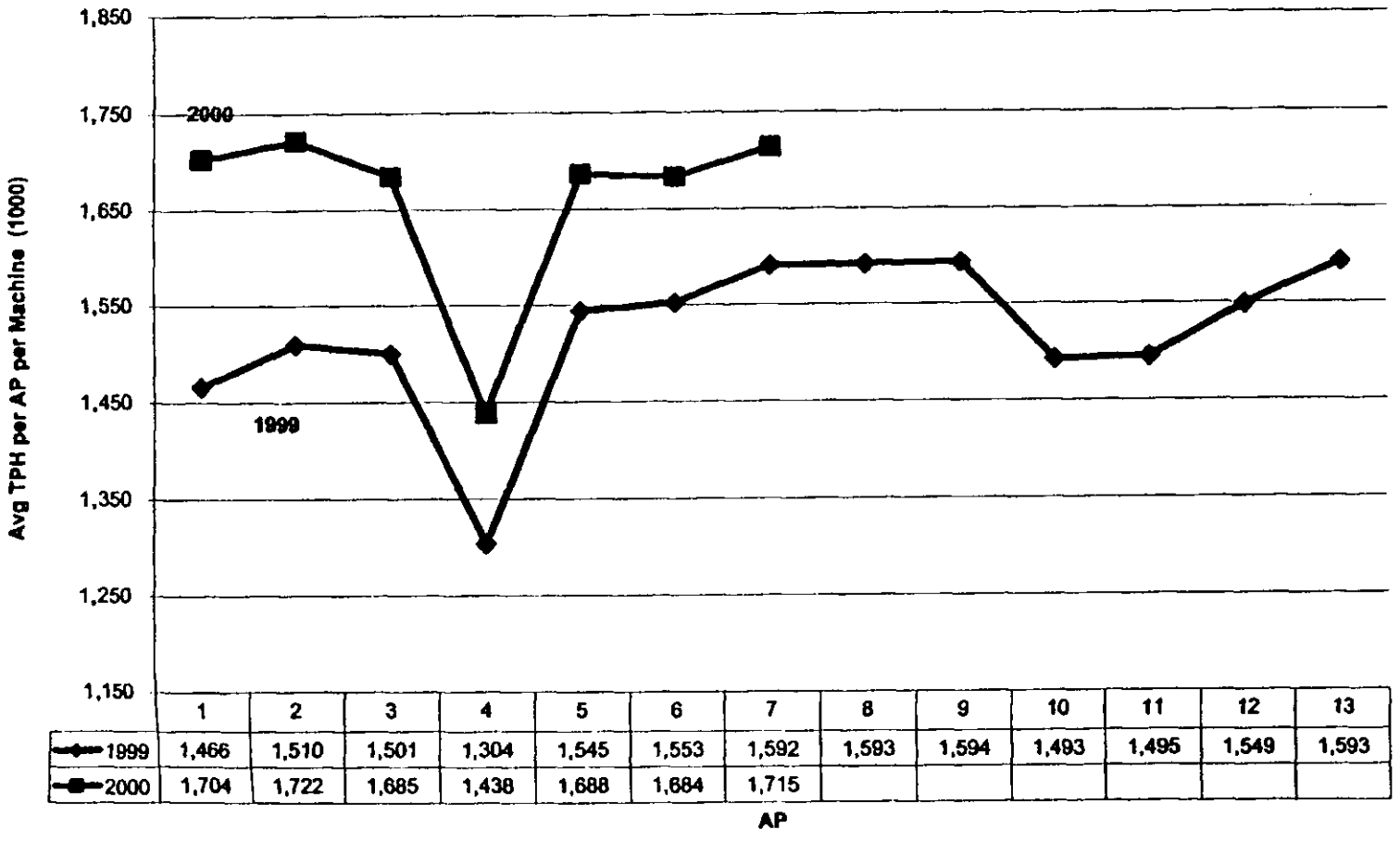


	1	2	3	4	5	6	7	8	9	10	11	12	13
1999	1,817	1,845	1,746	1,330	1,751	1,714	1,757	1,756	1,685	1,501	1,468	1,563	1,585
2000	1,769	1,812	1,734	1,315	1,693	1,674	1,718						

AP

8504

FSM 1000 Utilization



	1	2	3	4	5	6	7	8	9	10	11	12	13
1999	1,466	1,510	1,501	1,304	1,545	1,553	1,592	1,593	1,594	1,493	1,495	1,549	1,593
2000	1,704	1,722	1,685	1,438	1,688	1,684	1,715						

Susan W. Mayo (USPS-T-39)

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO INTERROGATORIES OF DAVID B. POPKIN REDIRECTED FROM THE POSTAL SERVICE

DBP/USPS-157. Refer to the response to DBP/USPS-44. [a] Confirm that the city, state, and ZIP Code that the window clerk writes in the top box will be the same as the customer or window clerk writes in the bottom line of the bottom boxes. [b] Will the POS terminal insert the data automatically? If so, explain the procedure. [c] What purpose is served by having the city, state, and ZIP Code shown twice?

RESPONSE:

I am informed that:

a. The city, state, and ZIP Code POS One prints onto the certified mail receipt and the customer transaction receipt will be the correct one as verified by a reverse lookup in the Address Management System (AMS) file. There is a chance that the city, state, and ZIP Code provided by the customer are not correct.

b. The POS One system will automatically print the city, state, and ZIP Code at the same moment the system prints the postage and fees onto the customer's certified mail receipt. The retail clerk enters the five-digit ZIP Code at the beginning of every transaction involving acceptance of a mailpiece. The city, state, and ZIP Code are then automatically printed onto receipts.

c. The POS One city, state, and ZIP Code are electronically verified by the AMS. The customer provided city, state, and ZIP Code may not be the correct ones.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO INTERROGATORIES OF DAVID B. POPKIN REDIRECTED FROM THE POSTAL SERVICE

DBP/USPS-158. Refer to the response to DBP/USPS-45. [a] I am confused by the response to subpart a. I thought that the printed name was supposed to be a printed version of the signature to provide a value of knowing the name associated with an illegible signature. Please provide specific examples where individual #1 will print his/her name in Box A and while individual #2 will sign the form in Box C. [b] What additional information do you require before you can determine why I am not receiving the proper level of service for the twelve return receipts that I recently received back? [c] Explain why showing only the month and date will be sufficient to indicate the date of delivery. [d] Confirm that the date shown in a cancellation and a round dater will show the year in addition to the month and date. [e] Your response to subparts e and f states that the year of delivery would not have to be printed for the date to be correct. The question is not whether the date is correct but whether it is a complete date. Please reevaluate. [f] Refer to your responses to subparts e, f, and p and explain why this would provide a high value of service to only show the month and date of delivery [without showing the year]. [g] I am confused by the response to subpart h. if all the mailer had to do was compare the name of the addressee with the signature and name of the person receiving the article, there would be no purpose for the boxes in Box C. Provide all instances where these boxes will serve a useful purpose. [h] The response to subpart j is confusing. The second line in Box D states, "If YES, enter delivery address below:" If one doesn't check the YES box, how will they know to complete the new delivery address? [i] Please reevaluate the response to subparts j and t in light of the preceding as well as your response to DFC/USPS-T39-5[a]. [j] My original subpart z was misread. I am interested in knowing the specific items that a mailer would have to do, such as, retrieve original mailing receipt / take to post office / obtain Form 3811-A / complete Form 3811-A / wait for return of completed Form 3811-A / etc. Please respond to original question. [k] My original subpart gg was misread. My concern was that the necessity of the mailer having to go through all of the effort and delay to obtain a duplicate return receipt would reduce the value of the service to that mailer. Please respond to the original question.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO
TO INTERROGATORIES OF DAVID B. POPKIN
REDIRECTED FROM THE POSTAL SERVICE**

DBP/USPS-158. (CONTINUED)

RESPONSE:

a. One example could be an instance where a person presented with an accountable mailpiece prints their name first and then realizes a signature is required and feels uncomfortable about signing if the mailpiece is addressed to another individual. Another example could be a person printing their name and becoming incapacitated before a signature is obtained.

b. Objection filed.

c. If you needed to verify date of delivery within a timeframe of 363 days (364 days in a leap year) the month and date should be sufficient. Also, the customer could add the year if receipt is expected to be a matter of concern for more than a year.

d. Objection filed.

e. Your original interrogatory DBP/USPS-45 (f) asks for confirmation of the date being "correct", not "complete". In any case, for most purposes the date is complete from a practical perspective. See my response to part (c).

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO
TO INTERROGATORIES OF DAVID B. POPKIN
REDIRECTED FROM THE POSTAL SERVICE**

DBP/USPS-158. (CONTINUED)

f. For those individuals concerned more with a signature a return receipt with the date of delivery shown as the month and day can provide a high value of service. Also, I would imagine most disputes would arise over the exact day of delivery and the year would not necessarily be disputed.

g. Perhaps the printed name and signature of the addressee are not legible. The delivery employee might know that the addressee is the person printing and signing, however, and would check the "Addressee" box if he/she felt that the return receipt recipient might not be able to read the signature or printed name for whatever reason. Also, sometimes a return receipt can get wet if it is raining and the ink might smear an otherwise legible signature or printed name, yet you would still be able to determine which box in Box C was checked, even if blurred or smudged. Also, the recipient of the mailpiece may be illiterate and uses only an "X" as a signature and the delivery employee would know this person was the addressee, so he or she would check the "Addressee" box. Based on the aforementioned, and I am sure I have not covered all of the reasons for an "Addressee" box, I feel there are good reasons to have the "Addressee" box.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO
TO INTERROGATORIES OF DAVID B. POPKIN
REDIRECTED FROM THE POSTAL SERVICE**

DBP/USPS-158. (CONTINUED)

h. The nature of the instruction "If YES, enter delivery address below" is such that the delivery employee has clear instruction and obviates the need to check the box as no additional information is provided at that point by checking the box. Checking the "Yes" box would be superfluous. If the address is different, it should be entered, even if the "Yes" box is not checked.

i. If the address is different, it will be entered and having the "Yes" box checked is redundant. I do not believe the value of service to the customer would decline if the "Yes" box was not checked, yet a different address was entered.

j. Objection filed.

k. I still believe that the primary value to the customer is in knowing that the mailpiece was delivered and signed for. I cannot confirm that obtaining a duplicate return receipt would reduce the value of service to "most" mailers. I can only speculate that obtaining a duplicate return receipt might be an inconvenience to some mailers, but not a reduction in the value of service. I do not believe that enough customers decide they need to request a duplicate to lower the overall value of service for return receipt service. In applying the statutory pricing criteria, I consider the value of service in general rather than as applied to individual mailers..

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO
TO INTERROGATORIES OF DAVID B. POPKIN
REDIRECTED FROM THE POSTAL SERVICE**

DBP/USPS-159. Please refer to your response to DBP/USPS-47[f]. [a] Confirm that some mailers may be interested in knowing that there was a change of address. [b] Confirm that it is no longer possible to purchase return receipt service showing the address where the article was delivered.

RESPONSE:

a. Confirmed.

b. Not confirmed. If the delivery address is different, the customer has purchased return receipt service showing the address where the article was delivered. If the delivery address is the same as the mailing address, the customer also knows the address where the article was delivered.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO INTERROGATORIES OF DAVID B. POPKIN REDIRECTED FROM THE POSTAL SERVICE

DBP/USPS-160. Please refer to your response to DBP/USPS-48[j through p]. [a] Please advise whether the Return Receipt must be completed at the time of delivery [the time at which the custody of the mail is transferred from the control of the United States Postal Service to the control of the addressee] for each of the categories of addressees as noted. [b] Please provide the appropriate regulatory reference.

RESPONSE:

a-b. I have nothing to add to witness Plunkett's Docket No. R97-1 response cited in my response to DBP/USPS-48.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO INTERROGATORIES OF DAVID B. POPKIN REDIRECTED FROM THE POSTAL SERVICE

DBP/USPS-161. Please refer to your response to DBP/USPS-49. It would appear that witness Plunkett is taking the term signature to mean the signature and date literally and not any of the items related to the signature such as the printed name, checking of the boxes, etc. Please either confirm or reanswer the interrogatory.

RESPONSE:

Confirmed that the POM section referred to in DBP/USPS-49 talks only about the signature and date.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO INTERROGATORIES OF DAVID B. POPKIN REDIRECTED FROM THE POSTAL SERVICE

DBP/USPS-163. Please refer to your response to DBP/USPS-51[a]. Please describe the effort taken by the Postal Service to achieve this goal. [b] What efforts are taken to correct reports of failure to meet this goal? [c] What studies are made to determine the extent to which this goal is met?

RESPONSE:

a. I am not aware of any additional effort.

b. I am not aware of any efforts.

c. I am not aware of any studies.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO
TO INTERROGATORIES OF DAVID B. POPKIN
REDIRECTED FROM THE POSTAL SERVICE**

DBP/USPS-164. Please refer to your response to DBP/USPS-54[o]. Please reanswer this question in light of the same misreading that was referred to in DBP/USPS-158[kk] above.

RESPONSE:

I do not see a subpart kk to DBP/USPS-158. Perhaps you could see my response to DBP/USPS-158(k).

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO INTERROGATORIES OF DAVID B. POPKIN REDIRECTED FROM THE POSTAL SERVICE

DBP/USPS-169. Please refer to your response to DBP/USPS-69. [a] Please explain why these mailings encourage the use of Certificates of Mailing for tax returns sent to IRS when the tax laws specifically state that they will not be accepted by IRS? [b] Was this researched prior to making the claim on the mailing? [c] If not, why not? [d] Please explain why these mailings encourage the use of Insured Mail for tax returns sent to IRS when tax returns are First-Class Mail and not merchandise and therefore may not be insured.

RESPONSE:

a-d. While the mailing has been reproduced on one sheet, it is actually the back and front of a card. The front suggests the use of certified mail and return receipt at tax time. The back provides general information about various special services, with the intent of helping the public understand what each one is for, rather than encouraging their use for tax returns.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO INTERROGATORIES OF DAVID B. POPKIN REDIRECTED FROM THE POSTAL SERVICE

DBP/USPS-175. Please refer to your response to DBP/USPS-81. [a] I am somewhat confused by the response. Please provide details on the nature and number of the postal facilities with administrative functions that sell stamped cards to the public but yet do not provide mail collection service. [b] Please reanswer the original question if necessary.

RESPONSE:

a-b. If you are referring to the type of postal facility that sells stamped cards but does not provide collection, one example would be a philatelic center. Other examples would include vending machines and on-line Postal Service product purchasing sites.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO INTERROGATORIES OF DAVID B. POPKIN REDIRECTED FROM THE POSTAL SERVICE

DBP/USPS-177. Please refer to your response to DBP/USPS-83. [a] Is the contingency applied equally across all of the various services? [b] If not, please advise the contingency for each of the services.

RESPONSE:

a. Yes.

b. Not applicable.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO INTERROGATORIES OF DAVID B. POPKIN REDIRECTED FROM THE POSTAL SERVICE

DBP/USPS-182. Please refer to your response to DBP/USPS-105. [a] Please respond to subpart a if the word "claimed" is changed to "implied" and the word "would" is changed to "might". [b] If so, please respond to the original subpart b. [c] If not, please respond to the original subpart b with the first two words removed.

RESPONSE:

a. No, not to my knowledge.

b. Objection filed.

c. Objection filed.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO INTERROGATORIES OF DAVID B. POPKIN REDIRECTED FROM THE POSTAL SERVICE

DBP/USPS-183. *Please refer to your response to DBP/USPS-107.* [a] Refer to your response to subpart h. Provide details why and under what circumstances the delivering employee will make this report. [b] Is there a requirement to do so. [c] Does any form require this reporting [is so, provide a copy]. [d] Please clarify your original response. [e] Please use your expertise to provide examples and a better response to subparts m, n, s, and t. A knowledgeable mailer is one who knows what the regulations, costs, and services are and makes educated decisions to achieve their goals.

RESPONSE:

a. Circumstances would vary and it would be at the delivering employee's discretion as to whether or not they would report insured parcels to the accountable section before delivery.

b. To the best of my knowledge there is no requirement.

c. To the best of my knowledge there is no form requiring this reporting.

d. I do not believe my original response needs clarification.

e. Objection filed.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO INTERROGATORIES OF DAVID B. POPKIN REDIRECTED FROM THE POSTAL SERVICE

DBP/USPS-186. Please refer to your response to DBP/USPS-117. [a] With respect to the package referred to in subparts b and d, assume that it is sent Standard Mail B and is not marked Priority Mail or Express Mail. Please reanswer subparts b trough f. [b] Please use your expertise to estimate the response to original subpart g. [c] Confirm that the special handling that you referred to on page 61 of your testimony relates to the special service known as special handling and not to the generic words of handling that is special. [d] Please respond to the original subpart h. [e] Which specific lines of pages 63 and 64 of your testimony provide the response to the specific questions in my interrogatory subparts l and m? [f] If you are not able to provide specific lines, please respond to the original subparts l and m. [g] Please explain your ability to claim that there is a reasonable assumption that the postage paid on a given article will be exactly what is required - no more and no less. [h] Is it permitted to overpay the postage on an article? [i] Is there a penalty for mailing an article with excess postage on it? [j] If the postage on an article is overpaid, will the article be returned to the sender to remove the excess postage? [k] If I present an article at a retail window with the postage overpaid, will the clerk refuse to accept the article unless I remove the excess postage? [l] Please provide me with a response to subpart i. Your reference in the original response appears to be related to money order revenue and not insurance claims. Please provide the data in a similar format as the data provided in response to a similar question for Registered Mail in DBP/USPS-118[g].

RESPONSE:

a. b. Confirmed. c. Yes. d. Confirmed. e. Yes. f. See my response to DBP/USPS-117(a). In some limited circumstances there would not be absolute certainty.

b. As this type of information is not collected, I cannot provide any estimates.

c. Confirmed only that on page 61 of my testimony I was referring to the special service known as special handling.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO
TO INTERROGATORIES OF DAVID B. POPKIN
REDIRECTED FROM THE POSTAL SERVICE**

DBP/USPS-186 (CONTINUED).

d. As I have stated, the proposed fees in my testimony are based upon the consideration and application of the pricing criteria as discussed in my testimony at pages 63-64.

e. Line 1, page 63, through line 11, page 64 discuss how I designed the proposed insurance fees and how this proposal satisfies the pricing criteria. In designing the fees, I did not do the data conversions or calculations you refer to in DBP/USPS-117.

f. Not applicable.

g-k. Objection filed.

l. See my response to OCA/USPS-T39-5(b).

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO INTERROGATORIES OF DAVID B. POPKIN REDIRECTED FROM THE POSTAL SERVICE

DBP/USPS-187. Please refer to your response to DBP/USPS-118. [a] Subpart a has the word "generally" in it. Please use your expertise to indicate the general policy for handling most registered mail. I am not interested in the rare instance where a small office may be taken back with a $25,000 letter. I am looking at the great majority of the total registered mail volume. Please reanswer subpart a. [b] Since you indicated in your response to the original subpart c that a mailer may overpay the postage, please respond to the original subpart d on how you can determine the insurance value, with absolute certainty. [c] Please use your expertise to respond to the original subpart e. [d] Please use your expertise to respond to indicate the percentage of the total registered mail receives the referred to special security or handling that you indicate might occur in response to original subpart f. [e] Which specific lines of pages 125 and 126 of your testimony provide the response to the specific questions in my interrogatory subparts j and k? [f] If you are not able to provide specific lines, please respond to the original subparts j and k.

RESPONSE:

a. I stand by my original answer.

b-c. Objection filed.

d. To the best of my knowledge the Postal Service does not collect this type of information and I have no basis with which to estimate a percentage.

e. The fee design for registered mail is on lines 10-15 of page 125, and the application of the pricing criteria for registered mail is discussed on lines 19-22 of page 125 and lines 1-23 of page 126.

f. Not applicable.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO
TO INTERROGATORIES OF DAVID B. POPKIN
REDIRECTED FROM THE POSTAL SERVICE**

DBP/USPS-188. Please refer to your response to DBP/USPS-119[k]. [a] Please advise whether any studies have been conducted to support your belief that customers will be upset at receiving a large decrease in a specific fee. [b] Please furnish copies of any study. [c] Use your expertise to estimate what percentage of the mailers of this country would be upset if they received a large decrease in a proposed fee. [d] For example, the fee for a duplicate return receipt is being proposed to be cut in half due to a reduction in the cost. What percentage of the users of this service do you, with your expertise, feel will be upset at this large reduction in the fee for the service? [e] Why do you feel that users of this service will feel that this large 50% decrease will portend a larger increase in the future than a 25% decrease, for example, might? [f] Why do you feel that users of other services will look at this reduction and feel that their rates were higher because of it? [g] Use your expertise and estimate the percentage of users that might feel as indicated in subparts e and f above. [h] Explain why you feel that most to virtually all users of the service will not just take their large discount and "run with it to the bank".

RESPONSE:

a. I said a large decrease should only upset a customer if they felt the decrease was a prelude to a future increase or a large decrease would upset other customers if they felt their fees were higher because of large decreases for other customers. I am not aware of any studies conducted to support these beliefs.

b. Not applicable.

c. I have no information with which to estimate a percentage.

d-h. See my response to (c) above. My analysis was not intended to be applied to return receipt after mailing service, which is a simpler fee structure, and for which a fee reduction reflects an updated cost study, rather than a more complex reclassification.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO INTERROGATORIES OF DAVID B. POPKIN REDIRECTED FROM THE POSTAL SERVICE

DBP/USPS-192. Please refer to your responses to subpart b of DBP/USPS-131/132/133/134. [a] The use of the words "may process" rather than "processes" appears to indicate that the Postal Service handles return receipts in some other manner at other times at the referenced IRS center. Please clarify and explain the choice and significance of those words. [b] What percentage of the return receipts at each of the referenced IRS and state tax offices are handled in the manner similar to that referred to in the Inspection audit? [c] If the response to subpart b is less that 100%, please provide the approximate percentages and specific methods of processing the receipts.

RESPONSE:

a. The use of the word "may" denotes the fact that the process might or might not take place in a similar method.

b-c. To the best of my knowledge, the Postal Service does not collect this type of information.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO INTERROGATORIES OF DAVID B. POPKIN REDIRECTED FROM THE POSTAL SERVICE

DBP/USPS-193. Please refer to your responses to subparts c and d of DBP/USPS-131/132/133/134. Please indicate the specific line numbers of R97-1/USPS-RT-20 that provide the response to my specific questions in subparts c and d.

RESPONSE:

For subpart c, see lines 1-2 of page 7. POM 822.11 does not specify timing of the procedures, so the application of its requirements to the Andover procedures is unclear. The reference to the DMM would apply to the letter from Sandra Curran. For subpart d, see page 8, line 1, through page 9, line 9.

RESPONSE OF POSTAL SERVICE WITNESS MAYO TO INTERROGATORY OF PITNEY BOWES REDIRECTED FROM WITNESS FRONK

PB/USPS-T33-4. For Fiscal Year 1998 please provide all non-postage revenue that the Postal Service derived from its meter program, including but not limited to (i) check-in check-out fees, (ii) meter reset fees, (iii) interest income on advance deposits for CMRS accounts and (iv) other (please specify).

RESPONSE:

Please see LR-I-168, WP-17 for the Fiscal Year 1998 volumes for on-site meter service. I took these volumes and multiplied them by the 1998 fees to arrive at the following revenues:

First Meter	$7,233,450
Unscheduled Meter	594,128
Additional Meter	153,615
Meter Check In/Out of Service	853,918
TOTAL	$8,835,110

To the best of my knowledge, these are the only sources of non-postage revenue for the meter program.

Karen Meehan (USPS-T-11)

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UPS/USPS-T11-18. Refer to your Workpaper B, page 124 (WS 7.0.1, Summary of Cost Components), or the electronic version filed as Library Reference USPS-LR-I-80, file Cs06&7.xls, tab 7.0.1. In column 2, lines 30 and 31, Letter Route volume variable route and other costs are $182,970,000, and Letter Route total route costs are $2,095,146,000. In column 4, lines 30 and 31, Special Purpose Route ("SPR") volume variable route costs are $0, and SPR total route costs are $134,770,000.
Refer also to your Workpaper B, page 131 (WS 7.0.3, Letter & SPR Cost Summary), or USPS-LR-I-80, file Cs06&7.xls, tab 7.0.3. In column 21, line 54, total route costs ($2,29,916,000) are calculated as the sum of total letter route costs ($2,095,146,000) and total SPR route costs ($134,770,000). The SPR route costs are derived from the SPR analysis, Workpaper B, page 147 (WS 7.0.5, Development of SPR Accrued and VVC by Function, or USPS-LR-I-80, file Cs06&7.xls, tab 7.0.5), which shows Route / Institutional Costs as $134,770,000 at column 5, line 49.

(a) Confirm that SPR volume variable route costs are $0. If not confirmed, identify where the SPR volume variable route costs are calculated and provide total SPR volume variable route costs.
(b) Identify the data sources used in the calculations of SPR volume variable route costs.
(c) If the SPR volume variable route costs are zero, provide an explanation as to why this is the case. Provide any documentation, including reports or studies that support your explanation.
(d) What other cost segments use the allocations from Cost Segments 6 and 7?

Response:

The figure that is cited for total SPR route costs ($134,770,000) from my Workpaper B, page 147, (WS 7.0.5, Development of SPR Accrued and VVC by Function) at column 5, line 49 contains both route costs and other institutional costs. Route costs are $84 million, derived from driving time costs only. To isolate SPR accrued route costs, do the following. Take driving time costs of $181,813,000, (WS7.0.5 column 1 line 7) and subtract $81,688,000 (WS 7.0.5

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column 1, lines 31-33), which is the driving time cost for accrued access; and subtract $16,054,000 (WS 7.0.5 column 1, line 30), relay costs, which are transferred to letter foot routes, leaving $84,071,000 as accrued SPR route cost.

(a) Confirmed.

(b) There are no volume variable route costs.

(c) Please refer to USPS-LR-I-1, page 7-3, for a description of route time: "Because route time corresponds generally to the time spent by the carrier traversing the course of the route without deviating to make stops, it may be visualized as the time required to cover the entire length of the Nation's city streets – a token of "readiness to serve" as distinct from the actual serving (which is represented by access time and load time).

Most of route time is therefore classified as institutional. The only exception is driving time associated with routine looping/dismount and deviation delivery stops."

There are no routine looping/dismount and deviation delivery stops on special purpose routes. Therefore, all route time is institutional.

(d) USPS LR-I-80, file CS06&7.xls, tab 'Outputs to CS' shows that cost segments 2, 12, 13, and 20 use allocations from cost segments 6 and 7. In addition, cost segments 6 and 7 labor costs contribute to the allocations of selected cost components in cost segments 3, 11, 15, 16, and 18 that are distributed on postal labor.

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UPS/USPS-T11-21 UPS/USPS-T11-21. Refer to Library Reference USPS-LR-I-80, file Cs06&7.xls,tab Input IOCS. Lines 5 through 8 present training, street, total accrued, and clock in/out costs for the following routes: Parcel Post Combined, Exclusive Parcel Post, Collection, OMMS, and Other. There is also a total across all routes for each cost category.

(a) Define the following cost categories: training, street, total accrued, and clock in/out. Include in the definition how the costs are accrued in each category.

(b) Define the following route types: Parcel Post Combined, Exclusive Parcel Post, Collection, OMMS, and Other.

(c) Refer to Library Reference USPS-LR-I-80, file Cs06&7.xls, tab Input IOCS, line 7. Confirm that the $469,835,000 total accrued volume variable Special Purpose Route (SPR) costs are allocated across classes/subclasses of mail. In other words, variability factors are applied to total SPR costs, and the resulting volume variable costs are distributed across classes/subclasses of mail.

(d) Refer to your Workpaper B and Library Reference USPS-LR-I-80, file CsO6&7.xls, tab Input IOCS, line 7. Confirm (i) that volume variable cost is not calculated for each individual route cost (i.e., $37,391,000 total accrued for Exclusive Parcel Post), and (ii) that the volume variable fraction of each individual route cost (such as Exclusive Parcel Post) is not specifically allocated solely to parcels (rather, the volume variable fraction of the total SPR costs -- i.e., $470 million total accrued, including the $37 million for Exclusive Parcel Post -- is allocated across all classes/subclasses of mail, including Parcel Post).

(e) What proportion of Exclusive Parcel Post costs is ultimately assigned to Parcel Post?

(f) What proportion of Parcel Post Combined costs is ultimately assigned to Parcel Post?

(g) If Exclusive Parcel Post costs are assigned to classes/subclasses of mail other than Parcel Post, state why and provide supporting materials documenting any analyses that support this method.

(h) If Parcel Post Combined costs are assigned to classes/subclasses of mail other than Parcel Post, state why and provide supporting materials documenting any analyses that support this method.

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Response:

(a) The cost categories and a general description of how the costs are accrued can be found in LR-I-1, page 6-3, section 6.1.2 and 6.2.1; page 6-4, section 6.2.3; and page 7-1, section 7.0.1. In precise, IOCS terms, I am informed as follows. Training: In CS06&7.xls, tab Input IOCS, line 5, training refers to the combined costs of activity code 6430 (carrier checking in, obtaining accountable mail or keys, checking vehicle, safety meeting) and activity code 6519 (Training – other training). See USPS-LR-I-12, Appendix B, the activity code assignment flowchart for IOCS, pages 5.0,5.1 and 7.3 – 7.6, which shows how these two activity codes are defined in terms of the underlying IOCS sample data. Street Costs: In CS06&7.xls, tab Input IOCS, line number 6, street costs refers to activity code 6710. Activity code 6710 (city carrier street time) is defined in terms of the underlying IOCS sample data on pages 4.0 and 5.0 of the activity code assignment flowchart for IOCS. See USPS-LR-I-12, Appendix B. Total Accrued: The total accrued costs for carriers is the sum of the costs for codes 71, 73, 75, 77, 78, 80, 82, 83, 85, 86, 87, 90, 98, 99, shown in WS 7.0.7 in Workpaper B, page 169. Clock In/Out: This is activity code 6522 in the referenced spreadsheet. Activity code 6522 (clocking in or clocking out) for carriers is defined in terms of underlying IOCS sample data on page 5.0 of the activity code assignment flowchart for IOCS. See USPS-LR-I-12, Appendix B. The accrued costs of each of the above cost categories are the cost weighted sums for those activity codes,

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for each of the route types. Section VII.A of USPS-LR-I-12 describes and develops cost weighting factors for city carriers.

(b) In USPS-LR-I-14, these route types are defined on pages 10-4 and 10-5.

(c) Confirmed.

(d) Parts (i) and (ii) are confirmed.

(e) – (h) The proportion of Exclusive Parcel Post and Parcel Post Combined costs assigned to parcel post is not available. It is my understanding that the sample design used by Witness Nelson (Docket R97-1, USPS-T-19) did not allow for development of specific keys for each route type. It is my further understanding that IOCS was used to weight the route types that were sampled. Please refer to USPS-LR-H-157 to see the weighting scheme. This analysis was presented in Docket No. R97-1 in the testimony of witness Nelson, USPS-T-19, and accepted by the Commission in its Recommended Decision.

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UPS/USPS-T11-22 Refer to Library Reference USPS-LR-I-I, page 7-4, Section 7.1.4, which indicates that "[volume variable routine looping/dismount costs are distributed to classes and subclasses of mail on the basis of the estimated weight of mail carried on routine loops/dismounts, as determined from CCS and RPW." Refer also to your Workpaper B, page 174 (WS 7.0.9, Development of Other Distribution Keys), col. 8, or the electronic version filed as Library Reference USPS-LR-I-80, file Cs06&7.xls, tab 7.0.9, column 8. The source listed for the distribution key for volume variable routine looping/dismount costs is based on the number of pieces from an analysis performed for the R97-1 rate case. If the number of pieces from the R97-1 analysis is only measured for a class of mail, then that number is distributed to subclasses using the number of pieces from the RPW. See your Workpaper B, page 174 (WS 7.0.9, Development of Other Distribution Keys), col. 3, or the electronic version filed as Library Reference USPS-LR-I-80, file Cs06&7.xls, tab 7.0.9, column 3.

(a) Confirm that the volume variable routine looping/dismount costs are distributed to classes/subclasses of mail using the number of pieces from the R97-1 analysis and/or the number of pieces from the RPW.
(b) If not confirmed, provide the source and a detailed explanation of the distribution key based on the estimated weight of mail carried on routine loops/dismounts, as determined from CCS and RPW.
(c) For cost segments 6 and 7, identify all of the distribution keys that are based on estimated weight of mail.

Response:

(a) Partially confirmed. Volume variable routine looping/dismount costs are distributed to classes of mail using a combination of 1996 CCS pieces and weight per piece from RPW, except for RPW. Volume variable class costs for Periodicals are distributed to mail subclasses using RPW volumes.

(b) See Docket No. R97-1, Workpaper 1.10 to USPS-T-19. The distribution key developed in this workpaper was based upon the 1996 CCS and RPW. First, the total number of CCS pieces on park & loop routes were

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computed. These pieces were then multiplied by each subclass' weight per piece from RPW. Finally, in my workpaper B, page 174, WS 7.0.9, RPW is used to distribute Periodicals cost to subclasses. This detail comports with the more general description found in LR-I-1, page 7-4, Section 7.1.4.

(c) To the best of my knowledge, no other distribution keys in cost segments 6 and 7 are based on weight of mail.

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UPS/USPS-T11-23 Refer to the testimony of Postal Service witness Daniel, USPS-T-28, page 8, lines 25-31, and page 9, lines 1-2, where she states that "costs for the elemental load portion of street delivery costs are allocated on the basis of weight within shape."

(a) *Confirm that the distribution key used to allocate elemental load time costs in* the base year calculations is measured by number of pieces and not by weight. Provide the citation to the distribution key in Library Reference USPS-LR-I-80, file Cs06&7.xls.
(b) If the distribution key used to allocate elemental load time costs in the base year calculations is measured by weight, provide a citation to the distribution key in Library Reference USPS-LR-I-80, file Cs06&7.xls, and provide the source for the distribution key.
(c) Explain why the elemental load time costs are distributed by number of pieces instead of by weight.

Response:

(a) Confirmed. Elemental load costs are distributed using CCS pieces by shape *within stop type. The citation for the source of the distribution keys can be* found in USPS-LR-I-80, file CS06&7.xls, tab 7.0.8, columns 3-17. The source cited there is USPS-LR-I-16, file CCS-HQ.doc.

(b) Not applicable.

(c) Please see the response to OCA/USPS-T12-11c.

Michael W. Miller (USPS-T-24)

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

OCA/USPS-T24-7 Please refer to your answer to DFC/USPS-T24-1. There you state, "I have not personally studied the costs related to stamped cards and postcards."

a. Please confirm that "stamped cards" were formerly referred to as "postal cards." If you cannot confirm, please explain.

b. Has anyone else at the Postal Service studied the costs related to stamped cards and postcards? Please explain.

c. Have witnesses in past dockets testified about the costs related to stamped cards and postcards? Please explain.

d. Please confirm that in past dockets the IOCS did provide cost data separately for "postal cards" and postcards. If you cannot confirm, please explain.

e. Please confirm that in past dockets the Cost Segments and Components Report and the CRA did provide cost data separately for "postal cards" and postcards.

f. Please confirm that the Postal Service stopped tracking/reporting these costs after Docket No. MC96-3. If you cannot confirm, please explain.

RESPONSE:

a. Confirmed.

b. To the best of my knowledge, no one has endeavored to study the mail processing costs specific to stamped cards and postcards. Witness Campbell (USPS-T-29), however, has studied the costs associated with the stamped card fee.

c. According to OCA/USPS-T24-8d, some parties have presented cost data related to stamped cards in past dockets.

d. Confirmed.

e. Confirmed.

f. I can confirm that in the FY 1996 CRA the costs for stamped cards (formerly "postal cards") were isolated and in the FY 1997 CRA they were not.

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

OCA/USPS-T24-8 Please refer to your answers to DFC/USPS-T24-2 and 3.

a. Please confirm that prior to Docket No. MC96-3, the unit costs reported for "postal cards" were consistently lower than those reported for postcards. If you cannot confirm, please explain.

b. Please confirm that prior to Docket No. MC96-3, the unit revenues for postal cards exceeded costs by approximately 200 percent. If you cannot confirm, please explain.

c. Please refer to the Commission's decision in Docket No. R97-1 at page 594 para. 6004. The Commission states that it "agrees with witness Carlson that the evidence suggests that mail processing costs are lower for stamped cards than private cards because of physical differences between the types of cards." Would this suggest to you that, indeed, the unit cost difference between stamped cards and postcards has been studied and reported on? Please explain.

d. Would knowledge of the evidence presented in Dockets Nos. R97-1 and MC96-3 (specifically by OCA witness Collins and witness Carlson) cause you to modify your answers referred to above? Please explain.

RESPONSE:

a. It can be confirmed that the FY 1996 CRA reported that the total unit cost for stamped cards (formerly "postal cards") was lower than the total unit cost for postcards.

b. It can be confirmed that the FY 1996 CRA reported a per-piece revenue of 20.1 cents and a per-piece attributable cost of 7.6 cents for stamped cards (formerly "postal cards").

(20.1 cents / 7.6 cents) * 100% = 264%

c. First of all, a portion of the citation is missing. The passage actually reads,

"The Commission agrees with witness Carlson that the evidence suggests that mail processing costs are lower for stamped cards than private cards because of physical differences between the types of cards. Nonetheless, the Commission declines to adopt witness Carlson's proposal for a separate rate as there is considerable uncertainty as to the extent of the difference in processing costs."

I agree that the unit cost difference has been reported on (using CRA data). However, I do not agree that it has been studied.

Mr. Carlson's initial question (DFC/USPS-T24-1) asked me about stamped cards in a worksharing context. In addition, Mr. Carlson asked me questions in Docket No. R97-1 (e.g., DFC/USPS-T23-8) that sought to compare mail processing costs between

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

RESPONSE to OCA/USPS-T24-8 (Continued)

stamped cards and postcards on an operation ("exact piece comparison") basis. My responses to DFC/USPS-T24-2 and DFC/USPS-T24-3 in this docket were therefore made in that context.

d. No, given my response to c. In addition, my responses to interrogatories DFC/USPS-T24-2 and DFC/USPS-T24-3 were made in the present tense. The only data that I've seen any witnesses present were from the FY 1995 (Docket No. MC96-3, USPS-T-400) and FY 1996 (Docket No. R97-1, DFC-T-1) CRA. The last day in FY 1995 was September 15, 1995 - nearly 5 years ago. The last day in FY 1996 was September 13, 1996 - nearly 4 years ago.

My understanding is that postal card costs were removed from the CRA due to problems associated with the volume estimates. This does not surprise me given the confusing terminology that was formerly used (postal cards versus postcards).

Since FY 1996, the methods that are used to construct the CRA have changed. In addition, the letter/card automation equipment have been fully deployed. Further enhancements continue to be made to that equipment.

Given these facts, I would expect that the costs required to process both stamped cards and postal cards would have changed. In addition, I have not performed any studies that have sought to compare the mail processing costs for various card categories on an "exact piece comparison" basis. I therefore stand by my answers to DFC/USPS-T24-2 and DFC/USPS-T24-3.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER TO QUESTION POSED BY THE OCA DURING HEARINGS

Tr. 7/3234-35. Please refer to USPS-T-24, Attachment B, and provide an estimate of nonstandard First-Class Mail costs, based upon witness Daniel's cost data that show the costs for all single-piece and presort shapes (letters, flats and parcels) weighing less than one ounce.

RESPONSE:

See the attached document.

ATTACHMENT USPS-T-24B
FIRST-CLASS NONSTANDARD SURCHARGE COSTS

REVISED 4/25/2000

A. INPUTS

1. AVERAGE TEST YEAR MAIL PROCESSING UNIT COSTS (CRA) < = 1 OZ

Shape	(<= 1 oz) First-Class Single Piece (Cents)	(<= 1 oz) First-Class Presort (Cents)
Letters	19.558	9.818
Flats	93.856	112.301
Parcels	188.958	652.290

2. VOLUMES BY SHAPE

Shape	First-Class Single Piece FY 98 Volume	First-Class Single Piece FY 98 Percent	First-Class Presort FY 98 Volume	First-Class Presort FY 98 Percent
Letters	64,552,853	17.41%	10,559,356	14.27%
Flats	287,299,988	77.47%	61,873,570	83.59%
Parcels	18,994,784	5.12%	1,583,073	2.14%
	370,847,625	100.00%	74,016,000	100.00%

3. MANUAL LETTER MAIL PROCESSING UNIT COSTS (MODELS)

Shape	First-Class Single Piece (Cents)	First-Class Presort (Cents)
Letters	23.941	9.675

B. RESULTS

Formula:	First-Class Single Piece (Cents)	% Total Cost
(Manual Model SP Letters - CRA SP Letters) * (% SP Letters)	0.763	1.14%
+ (CRA SP Flats - CRA SP Letters) * (% SP Flats)	57.559	85.91%
+ (CRA SP Parcels - CRA SP Letters) * (% SP Parcels)	8.677	12.95%
Additional Nonstandard Single Piece Letter Costs	**66.999**	100.00%

Formula:	First-Class Presort (Cents)	% Total Cost
(Manual Model Prst Letters - CRA Prst Letters) * (% Prst Letters)	-0.020	-0.02%
+ (CRA Prst Flats - CRA Prst Letters) * (% Prst Flats)	85.671	86.20%
+ (CRA Prst Parcels - CRA Prst Letters) * (% Prst Parcels)	13.741	13.83%
Additional Nonstandard Presort Letter Costs	**99.392**	100.00%

Joseph D. Moeller (USPS-T-35)

RESPONSES OF U.S. POSTAL SERVICE WITNESS JOSEPH D. MOELLER TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 3

10. Please refer to USPS-T-35 at 12-13. Will Regular and Nonprofit Subclass pre-barcoded letters weighing between 3.3 and 3.5 ounces per piece pay the minimum-per-piece rate or the pound rate? To eliminate any potential confusion, please provide the current and proposed rates for a 3.4 ounce letter-shaped piece assuming nondestination entry in the following categories.

a) Regular Subclass basic presort nonbarcoded
b) Regular Subclass basic presort barcoded
c) Regular Subclass 3-digit presort nonbarcoded
d) Regular Subclass 3-digit presort barcoded
e) Regular Subclass 5-digit presort nonbarcoded
f) Regular Subclass 5-digit presort barcoded
g) Nonprofit Subclass basic presort nonbarcoded
h) Nonprofit Subclass basic presort barcoded
i) Nonprofit Subclass 3-digit presort nonbarcoded
j) Nonprofit Subclass 3-digit presort barcoded
k) Nonprofit Subclass 5-digit presort nonbarcoded
l) Nonprofit Subclass 5-digit presort barcoded

RESPONSE:

Automation-prepared letters weighing 3.4 ounces would pay the minimum-per-piece rate. Column 1 in the charts below assumes that 3.4 ounce barcoded letter-shaped pieces currently pay the applicable non-letter rate, and are not claiming flat barcode rates. Column 2 assumes that the barcoded pieces also meet the flat dimensions, and qualify for flat automation rates. Column 3 assumes the letter-shaped pieces claim the letter automation rates.

REGULAR SUBCLASS (rates in cents)

	Current (1)	Current, with auto flat rates (2)	Proposed (3)
a. basic presort nonbarcoded	30.78625	N/A	31.54625
b. basic presort barcoded	30.78625	24.88625	20
c. 3-digit presort nonbarcoded	24.38625	N/A	26.24625
d. 3-digit presort barcoded	24.38625	20.68625	19.3
e. 5-digit presort nonbarcoded	24.38625	N/A	26.24625
f. 5-digit presort barcoded	24.38625	20.68625	17.2

RESPONSES OF U.S. POSTAL SERVICE WITNESS JOSEPH D. MOELLER TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 3

NONPROFIT SUBCLASS (rates in cents)

	Current (1)	Current, with auto flat rates (2)	Proposed (3)
g. basic presort nonbarcoded	23.6875	N/A	22.225
h. basic presort barcoded	23.6875	18.5875	12.9
i. 3-digit presort nonbarcoded	16.8875	N/A	17.825
j. 3-digit presort barcoded	16.8875	14.7875	12.2
k. 5-digit presort nonbarcoded	16.8875	N/A	17.825
l. 5-digit presort barcoded	16.8875	14.7875	10.1

RESPONSES OF U.S. POSTAL SERVICE WITNESS JOSEPH D. MOELLER TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 3

11. Does witness Moeller rely on witness Eggleston's cost study (See USPS-T-26, Attachment B) as the cost basis for the proposed parcel barcode discount of 3 cents per piece?

RESPONSE:

Yes, indirectly. The parcel barcode discount was proposed at a level equivalent to the barcode discount for Standard Mail (B). (See Moeller testimony USPS-T-35 at page 2, lines 1-2). The Standard Mail (B) discounts, which will be applicable to pieces weighing less than one pound if the minimum weight requirement is removed for Standard Mail (B), are based on witness Eggleston's cost study.

RESPONSES OF U.S. POSTAL SERVICE WITNESS JOSEPH D. MOELLER TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 3

12. On page 11 of USPS-T-35, witness Moeller states that "...selection of 100 percent [passthrough for letter presort] may result in outcomes for other rate cells that defeat rate design objectives." Please list and discuss those rate design objectives.

RESPONSE:

As discussed at page 4 of my testimony, lines14-16, the selection of passthroughs and other rate design decisions is an iterative process, and the decisions are interdependent. However, if the passthrough in question were changed to 100 percent in isolation of any other changes, it would have a push-up effect on the basic rates, most notably the Basic letter automation rate. Avoiding the nearly 10 percent increase that would result for automation letters with a passthrough of 100 percent is the type of "rate design objective" to which the cited passage refers. Basic automation letters and 3-digit automation letters bear the brunt (by virtue of their high volume) of the effort to limit the increases for automation flats (see page 5, line 16 through page 6, line 1). Deviating slightly from 100 percent on the cited passthrough offers some offsetting relief to the Basic automation letter category.

RESPONSE OF WITNESS MOELLER TO QUESTIONS POSED DURING HEARINGS

Question: Witness Moeller was asked to provide information regarding migration of residual shape pieces to flat automation pieces in FY 99, as well as general information regarding the percentage of nonletters that are parcel shaped and their weight per piece (Tr.10/4045-47).

RESPONSE:

In the filing, the projection of pieces paying the residual shape surcharge is derived as follows (USPS-T-35, WP1, page 14):

1. Within a subclass, begin with the volume of nonletters.
2. Using available shape-mix data from FY98, assume the percentage of nonletters that are parcel shaped remains constant. In the Regular subclass, the FY98 percentage was 5.9%.
3. Since the Residual Shape Surcharge was not in effect in FY98, the volume from step 2 would not incorporate any migration that might have occurred as a result of the implementation of the surcharge. The implementation of the surcharge and the relaxation of eligibility rules for automation flats may have caused some migration of parcels to automation flats.[1] In recognition of this possibility and its potential impact on the revenue derived from the surcharge in the Test Year, witness Moeller applied a 25% reduction to the parcel-shaped volume estimate in step 2. At the time of the preparation of the filing, sufficient data were not available regarding the volume of surcharged pieces. The 25% figure was based on the level of interest exhibited by mailers in understanding the FSM 1000 preparation requirements.

[1] Pieces of identical shape can qualify as either automation flats under the FSM 1000 preparation rules, or machinable parcels. By preparing otherwise parcel-shaped pieces as automation flats, mailers can avoid the surcharge and claim an

RESPONSE OF WITNESS MOELLER TO QUESTIONS POSED DURING HEARINGS

As FY99 figures become available, there may be insight into how many pieces are paying the surcharge. It is important to note several factors:

- Although it is possible to determine how many parcel-shaped pieces there were in FY99, it is not possible to know how many there *would have been* absent the surcharge. In other words, it is not possible to determine how many pieces migrated to FSM1000 preparation.
- Had the surcharge been in effect for the entire fiscal year (and if mailers had had time to react to the new rates and regulations), an annual volume of pieces paying the surcharge could potentially be derived without the interim step of applying the percentage of parcel-shaped nonletter pieces (as is done in step 2.) The "25%" adjustment factor would also not be required, as the volume would incorporate whatever migration occurred.[2]
- The surcharge was not in effect for the entire fiscal year, but data regarding shape mix for the entire year may be illuminating, and are provided below in response to the request made at the hearing (Tr. 10/4045).

(..continued)
automation flat discount.

[2] Although not needed, a comparable "25%" figure would not necessarily be derivable in any event, since it is not known how much volume *migrated*. The resulting volume of pieces paying the surcharge is affected by a number of factors, migration being only one. The percentage of, and number of, parcel-shaped pieces fluctuates from year to year absent the surcharge. Although a lower FY99 volume (versus FY98) might have been caused in part by the surcharge and the resulting migration, it is not ascertainable how much of the volume reduction is due to the surcharge, or how much of it was offset by general growth in parcel volumes that would have occurred regardless of rate changes.

RESPONSE OF WITNESS MOELLER TO QUESTIONS POSED DURING HEARINGS

The FY99 figures regarding shape mix in Standard Mail (A) nonletters, as compared to FY98, are as follows:

	FY 98				FY 99			
	Volume	Vol. Mix %	Pounds	Lbs/ pc	Volume	Vol. Mix %	Pounds	Lbs/ pc
Regular								
Flats	13,051,486	94.1	3,006,204	.23	13,607,812	94.7	3,152,416	.23
Parcels	811,593	5.9	449,365	.55	766,487	5.3	431,706	.56
ECR								
Flats	20,715,771	99.8	4,175,440	.20	20,929,401	99.9	4,238,439	.20
Parcels	48,083	0.2	9,457	.20	22,747	0.1	5,093	.22
Nonprofit								
Flats	1,663,490	97.5	269,950	.16	1,813,461	98.2	288,330	.16
Parcels	42,500	2.5	15,523	.37	33,352	1.8	12,421	.37
NECR								
Flats	848,473	99.8	112,325	.13	1,189,195	99.9	137,286	.12
Parcels	1,914	0.2	722	.38	927	0.1	228	.25

Source: PERMIT volume data tied to official RPW totals. FY 1998 is from USPS-T-27 Attachment F, Tables 1 and 2.

Although the surcharge was not in effect for the entire fiscal year, the FY99 weight per piece for Standard Mail (A) Regular flats and parcels did not change significantly from FY98 levels.

The Postal Service hopes to file revenue, pieces, and weight data specifically for pieces paying the surcharge for that portion of FY 99 when the R97-1 rates were in effect, by subclass, in two weeks.[3] The GFY 99 billing determinants include the revenue from the surcharge in the nonletter categories.

[3] These figures were discussed at Tr. 10/4079.

Bradley V. Pafford (USPS-T-4)

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PAFFORD TO INTERRROGATORIES OF UNITED PARCEL SERVICE

UPS/USPS-T4-12. Interrogatory UPS/USPS-T5-29 asked Mr. Hunter, among other things, to provide with respect to Tables 1-3 in his testimony (which include total estimates for Parcel Post, i.e., combining DRPW and BRPW data) estimates of FYI998 Parcel Post revenue, pieces, and weight broken out by inter-BMC, intra-BMC, and DBMC. Mr. Hunters response deals solely with BRPW results.

(a) Provide for that portion of the total estimates of Parcel Post revenue, pieces, and weight for FY I998 that comes from the DRPW system a breakout of Parcel Post revenue, pieces, and weight by inter-BMC, intra-BMC, and DBMC.

(b) Provide for the total FY I998 estimates of Parcel Post revenue, pieces, and weight a breakout of those estimates by inter-BMC, intra-BMC, and DBMC

RESPONSE:

(a) GFY 1998 DRPW estimates for Standard Mail (B) Parcel Post inter-BMC, intra-BMC, and DBMC are:

Category	Revenue (000) *	Pieces (000)	Weight (000)
Inter-BMC	219,035	44,601	264,749
Intra-BMC	84,421	31,075	135,352
DBMC	5,319	2,092	11,152
Total	308,775	77,768	411,253

* Excludes an estimated $271,000 for Combination Enclosure Revenue

(b) GFY 1998 Total estimates for Standard Mail (B) Parcel Post inter-BMC, intra-BMC, and DBMC are:

Category	Revenue (000) *	Pieces (000)	Weight (000)
Inter-BMC	297,804	64,314	355,036
Intra-BMC	120,467	42,121	291,291
DBMC	529,403	209,713	1,201,281
Total	947,674	316,148	1,847,608

* Excludes an estimated $271,000 for Combination Enclosure Revenue

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PAFFORD TO
INTERRROGATORIES OF UNITED PARCEL SERVICE

UPS/USPS-T4-14. Refer to your answer to UPS/USPS-T4-11(b)(i). In certain sections of the SAS code in LR-I-30 to which you there refer (see, for example, file APPENDXE.TXT), certain adjustment factors appear to have been replaced with "XXX."
For example:

```
IF MAIL-TYP='PI-FC-PRESORT' THEN DO;
REVENUE=(REVENUE*X.XXXXXXXX); PIECES=(PIECES*X.XXXXXXXX);
*FIRST CLASS PERMIT IMPRINT PRESORT;
WEIGHT=(WEIGHT*X.XXXXXXXX); END;
```

Furthermore, sections of the code have been "commented out" (e.g., surrounded by "/*" and "*/" marks) in LR-I-30.
(a) Confirm that the SAS code filed in LR-I-30 is the complete, unaltered code as run by the Postal Service. If not confirmed, explain in full
(b) If sections of the SAS code in LR-I-30 have been commented out, please provide the full, unaltered SAS code, including but not limited to all relevant and necessary adjustment factors.
(c) Confirm that sections of the SAS code in LR-I-30 have been "commented out" (e.g., altered so as not to be submitted in the course of the program). If not confirmed, explain in full. If confirmed, explain why these sections are so altered, what led the programming to be changed, and what effect these sections of the code have on the program running and results.

RESPONSE:

(a - c) USPS-LR-I-30 documents the RPW Adjustment System using PQ 2 FY 1998 inputs and outputs. Except for parameter value changes for input and output data sets and the portions of the SAS code that are commented out (i.e., the SAS code between the front-markers "/*" and end-markers "*/"), the USPS-LR-I-30 system documentation is the production code for all PQ's that make up the GFY 1998 estimates. Generally, the code that is commented out would be uncommented for PQ 0 and PQ 5 estimates, and numbers inserted where the current "XXXX" values are shown.

Michael K. Plunkett (USPS-T-36)

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PLUNKETT
PRESIDING OFFICER'S INFORMATION REQUEST 3, QUESTIONS 6-9

6. In USPS-T-36, Attachment H, the number given as the "Nonmach. Cost Diff. For DDU for over 108" is 1.919 cents and the citation is to USPS-T-27. (a) Please provide a specific page number or attachment in USPS-T-27, or other testimony, where this number originates. (b) The number given as the "Estimated Cubic Feet per Piece for over 108" is 8.193 and the citation is to LR USPS-105. Please provide a specific page number where the 8.193 can be found.

Question 6 Response.

a. This number is the difference between total modeled costs for DDU pieces over 108" ($5.558 – see USPS-T-26, Att J, p.1 line 1), and modeled costs for DSCF pieces over 108" ($3.640 – see USPS-T-26, Att I, p.1 line 9).

b. The references in this case should have been to USPS-T-26 Attachment A the value should have been 10.84.

Maura Robinson (USPS-T-34)

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ROBINSON
TO INTERROGATORIES OF DAVID B. POPKIN
REDIRECTED FROM THE POSTAL SERVICE

DBP/USPS-143 Refer to the response to Question 7 of POIR No. 5. [a] Confirm, or explain and discuss if you are not able to confirm, that the availability of the 9-1/2 by 12-1/2 inch cardboard envelope adds to the value of the service. [b] Will the Postal Service provide a non-flat rate envelope of the same type as the flat rate envelope to allow mailers of articles with a weight of one pound or less to take advantage of the lower one pound rate? [c] If not, why not? [d] For convenience and/or protection of the contents, may a mailer place the contents of their shipment into a flat rate envelope, seal it, and place the flat rate envelope into another container, such as the Tyvek envelope, and pay the one pound rate for pieces that are under one pound? [e] If not, please explain and discuss.

RESPONSE:

[a] Confirmed that the provision of free packaging including the 9 1/2" by 12 1/2" flat-rate envelope adds to the value of service for Priority Mail.

[b] - [c] See response to DFC/USPS-T34-23.

[d] -[e] Yes, I am unaware of any postal regulation that prohibits this practice.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ROBINSON
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 60

8. Please describe the extent to which PETE and EXFC data are made public, Include in your response the extent to which the public data refers to performance between specifically identified geographic areas.

RESPONSE:

EXFC overnight performance data are released to the public by USPS Public Affairs and Communications through a general news release, Postal News, at the conclusion of each postal quarter. This news release is posted on our public web site at http://www.usps.com/news/press/ .

Upon request, Consumer Affairs provides an electronic copy of summarized EXFC data. The data provided are limited to on-time service performance and average days to deliver by service commitment and all service commitments combined. Estimates of the margins of error associated with these estimates are also provided. Data are provided at the national level, and from all origins combined to a specific destination performance cluster level only.

The Postal Service does not officially release PETE data, even at the national level because it is considered to be commercially sensitive.

The policy of the Postal Service always has been that data indicating performance between specifically identified geographic areas (commonly referred to a "point-to-point" data) are not public. Any public disclosures of point-to-point data by any Postal Service office are contrary to policy.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ROBINSON
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 6

10. Please refer to the response of witness Robinson to DFC/USPS-T-34-13 concerning service commitments for Priority and First Class between 3-digit Zip Code pairs. Witness Robinson states that there are 849,106 valid 3-digit Zip Code pairs, and states there are 151 Zip Code pairs where Priority Mail provides overnight service while First-Class provides two-day service.

a. Please provide the number of Zip Code pairs where the service standard for First Class equals that of Priority Mail, segregated into overnight, two-day and three-day service areas.

b. Please provide the number of Zip Code pairs where the service standard for First Class exceeds that of Priority Mail, segregated into overnight, two-day and three-day service areas.

c. Please provide the total overnight, two-day and three-day service standard Zip Code pairs for Priority Mail and First Class mail.

d. Witness Robinson states in the same interrogatory response that database errors appear to be responsible for the 49 Zip Code pairs where First-Class provides overnight service while Priority provides two-day service. Please clarify and update this conclusion.

RESPONSE:

a. I am informed that the First-Class Mail service standard equals the Priority Mail service standard in 225,239 ZIP code pairs: 8,744 are one-day service standard, 156,933 are two-day service standard, and 59,562 are three-day service standard.

b. I am informed that there are currently no instances where the First-Class Mail service standard exceeds (are faster than) the Priority Mail service standards. In preparing the response to DFC/USPS-T34-13, 49 ZIP code pairs were identified as having a First-Class Mail service standard that exceeded the Priority Mail service standard. I am informed that these 49 instances were errors and that the service standard database has been corrected.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ROBINSON
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 6

c.

	Number of Three-Digit ZIP Code Pairs		
	One-Day Service Standard	**Two-Day Service Standard**	**Three-Day Service Standard**
First-Class Mail	8,744	157,081	683,281
Priority Mail	9,030	780,514	59,562

d. See response to part (b).

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ROBINSON
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 6

13. In USPS-T-34 witness Robinson discusses the Emery adjustment which moves some of the costs of the Emery contract from the per piece to the per pound rate element in Priority mail. The adjustment is made by, "assuming that the Emery costs in cost segment 16 remain at the same level as in the base year and reallocating the difference (based on base year proportions) between the test year and the base year Emery costs to cost segment 3.1 (Mail Processing Direct Labor), and cost segment 14 (Transportation)." Please explain the rationale for reallocating only the difference between the test year and the base year instead of the entire test year contract amount.

RESPONSE:

As discussed in my testimony (USPS-T34 at 14-15), I reallocated only the difference between the test year and base year Emery contract costs to cost segment 3.1 (Mail Processing Direct Labor) and cost segment 14 (Transportation) in order to mitigate the impact of the Emery contract on Priority Mail rates. The Priority Mail Processing Center (PMPC) network run by Emery Worldwide Airlines is an experimental program (see, for example, my response to UPS/USPS-T34-16), and the Postal Service has not yet determined whether this network will continue, be expanded, be eliminated, or be replaced by another network design. Therefore, in designing Priority Mail rates, I chose to mitigate the impact of the Emery network on Priority Mail rates by re-allocating the difference between test year and base year Emery contract costs to cost segments 3.1 and 14 based on base year proportions. This mitigates the impact of the Emery contract -- and its novel impact on Postal Service costs through its assignment to cost segment 16 -- on Priority Mail rates while still recognizing that the Emery contract does reduce the amount of costs that are identified by Postal Service costing methodology as distance-related. If the Postal Service's network

evaluation results in a continuation of the PMPC network under the same contract structure and with a similar assignment of these costs to cost segment 16, the rate design I proposed in this case is a step towards a cost structure with fewer identified transportation costs. Conversely, if the Postal Service decides (1) to eliminate the PMPC network; or (2) to modify the contract structure; or (3) to directly assign some Emery network costs to transportation (C/S 14), the unique characteristics of the Emery contract will not have been fully incorporated into the Priority Mail rate structure, and the rate design I propose in this case will thus avoid the need for a potentially dramatic compensating adjustment in a future omnibus rate case.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ROBINSON
TO QUESTIONS POSED DURING ORAL CROSS EXAMINATION

Tr. 7/2857: Provide the extent of the overlap between the First-Class Mail ZIP Code pairs and the Priority Mail ZIP Code pairs subject to a one-day service standard.

RESPONSE:

I am informed that for all First-Class Mail ZIP Code pairs with a one-day service standard, Priority Mail has a one-day service standard. There are no ZIP Code pairs where Priority Mail has a slower service standard than First-Class Mail. For a listing of the ZIP Code pairs where Priority Mail has a one-day service standard while First-Class Mail has a service standard greater than one day, see the response to DFC/USPS-53.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ROBINSON
TO QUESTIONS POSED DURING ORAL CROSS EXAMINATION

Tr. 7/2858-9, 7/2915: For FY 1999, provide the volume of Priority Mail and First-Class Mail that is within the one-day, two-day, and three-day service standard areas..

RESPONSE:

Below are the ODIS First-Class Mail and Priority Mail stamped and metered volumes by service standard.

ORIGIN-DESTINATION INFORMATION SYSTEM
FIRST-CLASS AND PRIORITY MAIL VOLUME
BY SERVICE STANDARD, NATIONAL, FY 1999

Service Standard	First-Class Mail Volume	Priority Mail Volume
One day	32,726,219,921	189,941,413
Two days	21,308,413,512	662,153,276
Three days	21,128,521,273	32,600,327
Total	75,163,154,706	884,695,016

Source: ODIS 635 Files.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ROBINSON
TO QUESTIONS POSED DURING ORAL CROSS EXAMINATION

Tr. 7/2894: Provide all display information for post offices concerning Priority Mail for FY 1999 and FY 2000.

RESPONSE:

Status Report (4/25/2000) We are working with the Retail program managers to identify and obtain copies of all material relating to Priority Mail displayed in post offices during FY 1999 and FY 2000. A number of responsive items have been identified and copies are being obtained. This information will be provided when it is available.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ROBINSON
TO QUESTIONS POSED DURING ORAL CROSS EXAMINATION

Tr. 7/2897: Provide information on First-Class Mail and Priority Mail service standards as displayed on retail terminals. Can the retail terminal software be modified to include service standards associated with originating and destinating addresses?

RESPONSE:

Availability of Service Commitment Information on Retail Terminals

	Integrated Retail Terminals (IRTs)		POS ONE	
	MOS	**Unisys**	**IBM**	**NCR**
Priority Mail	Exception message for 3-day destinations	Exception message for 3-day destinations	2-days or less service commitment: Shows 2-day service commitment, or shows 3-day commitment	2-days or less service commitment: Shows 2-day service commitment, or shows 3-day commitment
First-Class Mail	No Information Displayed	No Information Displayed	Service commitment displayed is based on zones crossed: Local/Zone 1 = 1 day Zone 2 = 2 days Zones 3-8 = 3 days	Always shows 3 days
Single-Screen Priority/FCM Comparison?	Not available	Not available	Yes	Yes
Can Service Commitment Display Be Modified?	IRTs are 1980's technology and are being phased out. Lack of hard disks makes adding additional service commitment data impractical.		POS ONE does not currently have origin/destination-specific commitments for FCM and therefore cannot display accurate commitments. This feature is planned for a future modification to the POS ONE programming.	

William P. Tayman (USPS-T-9)

RESPONSE OF WITNESS TAYMAN TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 9

1. Please verify that the changes in Total Factor Productivity (TFP) for the last six postal quarters are as follows:

Year	Postal Quarter	TFP
1999	PQ I	-2.0%
	PQ II	-1.2%
	PQ III	-0.8%
	PQ IV	2.1%
2000	PQ I	1.7%
	PQ II	2.7%

RESPONSE:

TFP for the last six postal quarters, taken from the most recent Quarterly TFP Tables are as follows:

Year	Postal Quarter	TFP
1999	PQ I	-1.9%
	PQ II	-1.4%
	PQ III	-0.3%
	PQ IV	2.3%
2000	PQ I	1.7%
	PQ II	2.7%

The quarterly TFP database is regularly updated to incorporate the most recent data available. This is the reason for the difference in the TFP growth rates.

RESPONSE OF WITNESS TAYMAN TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 9

2. Please list the factors that have contributed to the above changes in TFP ranked in order of their importance. Please discuss, in a qualitative way, for each quarter the changes in the factors that contributed to changes in TFP.

RESPONSE:

Weighted mail volume growth, miscellaneous output growth, and delivery point growth are combined with changes in labor and material usage and capital inputs contributed to quarterly changes in Total Factor Productivity.

The table below describes, for each quarter, the changes in factors that contributed to changes in TFP.

Year	Postal Quarter	TFP	Factors Contributing to TFP Changes
1999	PQ I	-1.9%	1) Workload increased 2.2% a) Weighted mail volume growth (2.7%). Weighted mail volume grew slower than total pieces because a substantial amount of the volume growth occurred in Standard Mail (A), with non-presort First-Class letter volume declining. b) Delivery points grew 1.3% c) Miscellaneous output grew 1.2% 2) Resources usage increased 4.1% a) Increase in material inputs (15.3%). The categories that contributed the most to materials input growth were miscellaneous services and freight, advertising and consulting, computer services, maintenance, and supplies. b) Labor input growth (1.9%). Labor input grew more than labor hours (which grew 1.6%) due to a change in clerk workhour composition. Fewer transitional employee workhours were recorded during this quarter, with a substantial increase in part-time career hours. c) Capital input growth (6.6%). Substantial growth in postal support equipment, mechanized handling equipment, and

RESPONSE OF WITNESS TAYMAN TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 9

			buildings contributed to growth in capital.
	PQ II	-1.4%	1) Workload increased 2.7% a) Growth in weighted mail volume (3.0%). Weighted mail volume this quarter grew faster than total pieces. This was due to increases in the high-cost Standard Mail (B) categories and a decline in Standard Mail (A) ECR, which offset the impact of increasing Standard Mail (A) regular rate mail and First Class single piece letters. b) Miscellaneous output grew 9.3%. c) Delivery points grew 1.3% 2) Resources usage increased 4.2% a) Increase in materials usage (11.7%). Materials input growth was due to high growth in miscellaneous services and freight, domestic air transportation, maintenance, and highway transportation . b) Labor input growth (2.3%). Labor input growth was higher than hours growth (1.7%), due largely to a change in clerk workhour composition. Substantially fewer non-career employee workhours were recorded this quarter, with a substantial increase in part-time career employee workhours. c) Capital input growth (5.8%). Growth in Capital input was primarily due to growth in postal support equipment, mechanized handling equipment, and buildings.
	PQ III	-0.3%	1) Workload increased 2.7% a) Weighted mail volume growth (3.3%). Weighted mail volume grew more than total pieces. Priority Mail grew substantially over the previous year. There was a substantial decline in the low-cost Standard Mail (A) Enhanced Carrier Route volume. These two factors offset the impacts of declining First-Class single piece letter volume, increasing First-Class presort letter volume, and increasing Standard Mail (A) Regular Rate volume. b) Delivery points grew 1.4 percent c) Miscellaneous output growth was 1.1% .

RESPONSE OF WITNESS TAYMAN TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 9

			2) Resources usage increased 3.0% a) Increase in materials usage (9.1%). Categories contributing the most to materials input growth were advertising and consulting, air transportation, and computer services. b) Labor input growth (1.2%). Labor input growth was higher than hours growth (0.7%), due largely to a change in clerk workhour composition. Substantially fewer non-career employee workhours were recorded this quarter, with a substantial increase in part-time career employee workhours. c) Capital input growth (8.1%). Growth in Capital input was primarily due to growth in postal support equipment with additional increases in buildings and mechanized handling equipment.
	PQ IV	2.3%	1) Resources usage decreased 0.6% a) Decline in materials usage (7.0%). Declines in materials input is largely due to substantial declines in supplies, international air line-haul transportation, consulting and advertising, and miscellaneous services and freight. b) Labor input growth (0.2%). Labor input growth was higher that hours growth (which was –0.6%) due to a substantial change in workhour composition. These changes included substantial reductions in the number of casual hours worked and/or an increase in the experience mix for part-time employees in the clerk, city carrier, mailhandler, building maintenance, and vehicle maintenance crafts. c) Capital input growth (8.2%). Growth in Capital input was primarily due to growth in postal support and buildings. 2) Workload increased 1.7% a) Weighted mail volume growth (1.7%). Weighted mail volume grew more than total pieces. There was a substantial decline in the low-cost Standard Mail (A) Enhanced Carrier Route volume. These two factors offset the impacts of trends that tend to lead to lower weighted mail volume growth: declining First-

RESPONSE OF WITNESS TAYMAN TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 9

			Class single piece letter volume, increasing First-Class presort letter volume, and increasing Standard Mail (A) Regular Rate volume. b) Delivery points grew 1.4%. c) Miscellaneous output increased 2.4%.
2000	PQ I	1.7%	1) Resources usage decreased 0.3% a) Decline in labor input (0.7%). Labor input growth was higher then workhour growth (-1.4%), due to a substantial change in workhour composition. There were substantial reductions in part-time and non-career workhours for clerks and city carriers. b) Decline in materials use (1.2%). The decrease in materials input was the result of decreases in a number of materials input categories, which were somewhat offset by substantial increase in a few categories. Categories with substantial decreases included consulting and advertising and travel. Categories with substantial increases included maintenance, highway transportation, and air transportation. c) Capital input growth (7.1%). Capital input growth was primarily due to growth in postal support equipment, buildings, and mechanized handling equipment. 2) Workload increased 1.4% a) Weighted mail volume growth (1.5%). Weighted mail grew more than total pieces. There was a significant increase in Priority Mail and a decline in Standard Mail (A) Enhanced Carrier Route volume. These two factors offset the impacts of trends that tend to lead to lower weighted mail volume growth: declining First-Class single piece letter volume, increasing First-Class presort letter volume, and increasing Standard Mail (A) Regular Rate volume. b) Delivery points grew 1.5% c) Miscellaneous output decreased 0.5% .
	PQ II	2.7%	1) Workload increased 2.3% a) Weighted mail volume growth (3.2%).

RESPONSE OF WITNESS TAYMAN TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 9

			Weighted mail volumes grew faster than pieces, primarily because Priority Mail had a substantial increase. With a relatively high unit cost, increases in Priority Mail have a greater on weighted mail volume than total pieces. There was a decline in Standard Mail (A) Enhanced Carrier Route volume, which has a relatively low cost per piece. Somewhat offsetting the impact of these two factors were increases in First-Class presort letters and Standard Mail (A) regular rate mail, which have low cost per piece, and declines in international mail, which has a high cost per piece. b) Delivery points grew 1.6% c) Miscellaneous output decreased 10.0%. 2) Resources usage decreased 0.5% a) Decline in labor input (0.4%). Labor input growth was higher then workhour growth (-1.0%), due to changes in workhour composition. There were substantial reductions in part-time and non-career workhours for clerks and city carriers, as well as increase in the experience levels for career employees. b) Capital input growth (10.0%). Growth in capital inputs was primarily due to growth in buildings, postal support equipment, and mechanized handling equipment. c) Decline in materials usage (4.0%). There was an increase in the quantity of transportation input due to increases in highway transportation, and a substantial decline in other materials input.

Please be advised that the quarterly rates of TFP growth show more volatility than annual rates of TFP growth and must be interpreted with a great deal of caution. Investment in capital input as well as expenditures on major programs can lead to short-run variations in the ratio of workload to resource usage. These investments and program expenditures are made to reduce the long-run cost to the organization.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAYMAN
TO QUESTIONS POSED DURING ORAL CROSS-EXAMINATION

Tr. 2/445-46

Counsel for the Alliance of Nonprofit Mailers asked:

(a) "The two examples you give, the mail cartridge system and the tray management system, the implementation problems for those two programs cause what share of the shortfall between planned commitments and actual commitments in 1997?"

(b) "Other than the Mail Cartridge System and the Tray Management System, which programs were not – investment programs were not performing as intended, and, therefore, were cut back?

RESPONSE:

(a) These two programs accounted for 34.6 percent of the shortfall between planned and actual commitments in FY 1997.

(b) The following are programs for which significant commitments were planned in Fiscal Year 1997, but for which funds were either not committed or were reduced:

PROGRAM	COMMITMENT
Street Management System (Enhanced Street Performance)	$400 million
BMC Overhaul	$100 million
Load Sleeve/Strapping Tray System	$120 million
Field Material Handling System	$113 million
Tray Management System	$482 million
Mail Cartridge System	$495 million

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAYMAN TO QUESTIONS POSED DURING ORAL CROSS-EXAMINATION

Tr. 2/473

Counsel for the Alliance of Nonprofit Mailers asked for any workpapers of the independent auditors concerning Postal Service asset lives.

RESPONSE:

Our independent auditors, Ernest & Young, have provided the following information. Specific workpapers do not exist because no material issues or exceptions have been identified as a result of the audit procedures. The auditors have indicated that they perform a relatively high level review in relation to asset service lives. Their tests include review of the property code book to determine if any changes have been made to the various categories of personal property as well as review the categories for reasonableness of the service life estimates. In addition, the level of depreciation is evaluated and the gains and losses on disposition of assets is reviewed to determine unusual levels of either gains or losses that might indicate a need to refine service life estimates.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAYMAN
TO QUESTIONS POSED DURING ORAL CROSS-EXAMINATION

Tr. 2/491

Counsel for the Association for Postal Commerce requested a citation in the Decision Analysis Report (DAR) backing up 491,000 maintenance hours included in response to ANM/USPS-T9-19.

RESPONSE:

The 491,000 maintenance hours referred to in my response to ANM/USPS-T9-19(e) are an input to the calculation of two costs used in the cash flow labeled as Attachment 1 in the DAR. For the line item "Installation - Postal Labor," an expense of $36,000 is shown for the year 2001. For the line item "Postal Maintenance Labor," an expense of $17,620,000 is shown for the same year. Dividing the sum of those two figures ($17,656,000) by the hourly maintenance labor wage rate assumed for 2001 ($35.98) yields (after rounding) 491,000 hours.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAYMAN TO QUESTIONS POSED DURING ORAL CROSS-EXAMINATION

Tr. 2/ 493-94

Counsel for the Association for Postal Commerce asked for the assumption for FY 2000 for the deployment of AFSM-100's.

RESPONSE:

Please see Revised Attachment to Response of United States Postal Service Witness Kingsley to Interrogatory of Alliance of Nonprofit Mailers (ANM/USPS-TI0-10) – Errata, filed on March 10, 2000.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAYMAN
TO QUESTIONS POSED DURING ORAL CROSS-EXAMINATION

Tr. 2/570

Chairman Gleiman asked, "I would like someone to point out to me in Library Reference I-179, where it says what the electronic diversion number is for the test year."

RESPONSE:

I am informed that USPS-LR I-179, Forecasting Spreadsheet Provided to GAO and Requested in OCA/USPS-2, includes accelerated electronic diversion that begins in FY 2003. Accordingly, it is my understanding that forecasts pertaining to Fiscal Years prior to FY 2003 do not have explicit numbers which represent electronic diversion. Rather, diversion is implied by the trend variables in the equations used to develop the volume forecast.

Jennifer Xie (USPS-T-1)

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF MAGAZINE PUBLISHERS OF AMERICA, INC

MPA/USPS-T1-1. Please confirm that the TRACS highway sample frame excludes contracts for which the destination is a railroad yard. If not confirmed, please describe how such movements are sampled in TRACS.

RESPONSE.

Confirmed.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF MAGAZINE PUBLISHERS OF AMERICA, INC

MPA/USPS-T1-2. Please confirm that the TRACS highway sample frame does not exclude contracts for which the origin is a railroad yard. If confirmed, please identify (in machine-readable form) TRACS highway observations for which the origin is a railroad yard. If not confirmed, please describe the process through which such movements are excluded.

RESPONSE

Confirmed. However, after careful examination, no such observations were found in the TRACS BY98 highway sample.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF MAGAZINE PUBLISHERS OF AMERICA, INC

MPA/USPS-T1-4. At the time the TRACS sample is drawn, please describe the information that is available regarding the frequency and schedule for contracts that operate on a per-trip, as-needed basis. Please describe the use of such information in the sampling process.

RESPONSE

TRACS only samples regular contract routes. The contracts that operate on a per-trip, as-needed basis are not in the sampling frame.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF MAGAZINE PUBLISHERS OF AMERICA, INC

MPA/USPS-T1-6. Please confirm that TRACS does not sample movements made using 'Roadrailers" on Amtrak. If you do not confirm, please provide documentation of the sampling process, including sample selection, field data collection and the identification of FY98 TRACS records for Amtrak Roadrailer movements.

RESPONSE

Confirmed.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF MAGAZINE PUBLISHERS OF AMERICA, INC

MPA/USPS-T1-11. Instructions provided to TRACS field data technicians state that '(p)lant load transportation , (is] not eligible for selection." (Docket R94-1, USPS-LR-G-112, Section 252.) Please state what instructions are provided for cases where the contract selected from the frame for a TRACS highway test is a plant load movement.

RESPONSE

In the process of developing the TRACS highway sampling frame, 'plant loaded' facilities are excluded. Data collectors are instructed not to sample plant loaded transportation (see USPS-LR-I-18, Handbook F-65, page 5-16).

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF MAGAZINE PUBLISHERS OF AMERICA, INC

MPA/USPS-T1-12. Please state why TRACS samples only freight rail movements that originate at BMC's. Please state what fraction of freight rail movements in BY98 originated at points other than BMC's.

RESPONSE

My understanding is that the overwhelming majority of rail movements originate at BMC's. In BY98, data needed to calculate the requested fraction were not captured. More recent data, for March 2000, indicate that 34 percent of freight rail movements do not originate at BMC's, but 78 percent of these movements are for empty equipment.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF MAGAZINE PUBLISHERS OF AMERICA, INC

MPA/USPS-T1-13. Please state whether the current TRACS Instruction Manual differs from the document supplied as USPS LR-G-112 in Docket No. R94-1. If so, please provide a copy of the current version.

RESPONSE

The current TRACS data collection handbook is different from the document provided as LR-G-112. See USPS-LR-I-18 for the current version of the Handbook F-65. TRACS data collection instructions are contained in Chapters 2 and 5.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF MAGAZINE PUBLISHERS OF AMERICA, INC

MPA/USPS-T1-14. Please confirm that TRACS does not sample exceptional, emergency or Christmas accounts in purchased highway transportation. If confirmed, please indicate why such accounts are not sampled. If not confirmed, please explain.

RESPONSE

Confirmed. Although I am uncertain why emergency and Christmas accounts are not sampled in the TRACS Highway Subsystem, it is my understanding that this has consistently been the practice since TRACS was first implemented. My understanding is that exceptional service trips are not included in the NASS database, and are not scheduled sufficiently in advance to allow for their inclusion in the TRACS sample.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF MAGAZINE PUBLISHERS OF AMERICA, INC

MPA/USPS-T1-15. Please refer to Footnote 11 on page 38 of USPS-LR-I-52. Please describe the nature and magnitude of the revision, and the factors that necessitated it.

RESPONSE

The revision corrects for a programming error, which was discovered after the Cost Segment 14 B Workpapers were finalized. In the version included in the Cost Segment 14B Workpapers, a constant value replaced the variable value representing vehicle capacity. See Tables 1-4 and Table 10 of my testimony (USPS-T-1) for the magnitude of the revision.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO FOLLOW-UP INTERROGATORIES OF UNITED PARCEL SERVICE

UPS/USPS-T1-66. Refer to your response to interrogatory UPS/USPS-T1-34 regarding the TRACS Highway Subsystem (USPS-LR-I-52). Explain the following details of the data collection process:

(a) How do you ensure that Priority Mail is retained for sampling rather than immediately moved to the next processing operation or other stage of handling?

b) Do containers, pallets, and/or loose items contain markings, labels or other indications that they contain Priority Mail?

c) Given that a TRACS test can take considerable time, what steps are taken to avoid delaying the movement of Priority Mail?

d) Have any audits, studies, or surveys been conducted to determine whether Priority Mail movement is evading the TRACS inspection procedure? If so, provide copies of the management reports describing the outcome of the audits.

RESPONSE.

b) Most containers, pallets and loose items are clearly marked, identifying the contents as Priority Mail, or identifying the operation from which it came or to which it is going as a Priority Mail operation. Even when the containers and pallets are not marked, many are readily recognizable as containing Priority Mail because of the identification markings on the pieces. Not all containers, pallets and loose items are marked or labeled in a way that makes them readily identifiable as containing Priority Mail.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO FOLLOW-UP INTERROGATORIES OF UNITED PARCEL SERVICE

UPS/USPS-T1-67. Refer to your response to interrogatories UPS/USPS-T1-38 through 41 regarding the sample design process for the TRACS Highway System (USPS-LR-I-52) for the fourth quarter of FY1998, in which you confirm that records are dropped during the process of matching the NASS and the Highway Pay Master File. For all quarters in FY1998, identify the fraction of records dropped due to non-Highway records in NASS, the fraction dropped due to box routes in NASS, the fraction dropped due to the NASS record representing an emergency or exceptional service movement and the fraction dropped due to other major reasons, with explanations of the reasons those drops occur.

RESPONSE.

The following table shows the proportions of the referred NASS records dropped for various reasons, for all quarters in FY 1998. The records that are not in the Highway Pay Master File can not be further classified since there is no account number associated with them. The Terminated/non-active routes are associated with accounts that are shown by the Pay Master File either with STATUS="T" or to have zero accrued payment (YRTODATE=0). Although the proportion of emergency route dropped is shown, there are no exceptional service routes are in NASS. Other highway routes include routes that accrue to highway accounts but are not sampled within TRACS, such as plant load routes and empty mail equipment routes.

Reason for Dropping NASS Record	PQ1FY98	PQ2FY98	PQ3FY98	PQ4FY98
Not in Highway Pay Master File	0.733	0.735	0.710	0.733
Terminated/non-active routes	0.070	0.071	0.099	0.077
Box routes	0.051	0.050	0.052	0.050
Emergency routes	0.135	0.133	0.127	0.127
Other highway routes	0.010	0.010	0.011	0.011
Water routes	0.001	0.001	0.001	0.001

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO FOLLOW-UP INTERROGATORIES OF UNITED PARCEL SERVICE

UPS/USPS-T1-71. Refer to your response to UPS/USPS-T1-47 regarding data on Emergency and Exceptional contracts. Does the presence of Emergency contracts in the Highway Pay Master File mean that movements operated under emergency contracts are part of the TRACS Highway Subsystem sample? If so, provide the fraction of the sample that represents Emergency contracts.

RESPONSE.

No. Only the regular contracts in the 'Highway Pay Master File' are included in the Highway frame.

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Postal Rate and Fee Changes, 2000 Docket No. R2000-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION
OF UNITED STATES POSTAL SERVICE

Party	Interrogatories
Advo, Inc.	ADVO/USPS-2-3, 5-6, 8 MPA/USPS-2-3 NAA/USPS-5-6, 9-10 OCA/USPS-118
Alliance of Nonprofit Mailers	ANM/USPS-1-3 ANM/USPS-T2-18, 20-22 redirected to USPS ANM/USPS-T11-1 redirected to USPS ANM/USPS-T21-13-14 redirected to USPS ANM/USPS-T35-4-6 redirected to USPS ANM/USPS-T38-5-6 redirected to USPS
American Bankers Association and National Association of Presort Mailers	ABA&NAPM/USPS-1, 3, 6 ABA&NAPM/USPS-T24-1, 7b, 9, 15, 22a, 25, 29-32, 35 redirected to USPS ABA&NAPM/USPS-T28-40 redirected to USPS ABA&NAPM/USPS-T33-12 redirected to USPS
Association for Postal Commerce	PostCom/USPS-1-4
Association of American Publishers	AAP/USPS-1-2 AAP/USPS-T6-21 redirected to USPS AAP/USPS-T27-16 redirected to USPS AAP/USPS-T37-23a (partial), c redirected to USPS

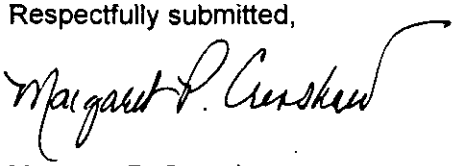
Association of Priority Mail Users, Inc.	APMU/USPS-T34-1, 3, 8b, 9, 20, 26a.ii-iii, b.ii-iii, c redirected to USPS APMU/USPS-T39-1b-e redirected to USPS DFC/USPS-53-54 DFC/USPS-T34-8 redirected to USPS UPS/USPS-7-9 UPS/USPS-T1-50b-c redirected to USPS UPS/USPS-T34-33 redirected to USPS POIR No. 6, Question 9
Coalition of Religious Press Associations	CRPA/USPS-T6-16d redirected to USPS CRPA/USPS-T7-2b-c redirected to USPS FGFSA/USPS-T18-3 redirected to USPS MPA/USPS-15-18, 20, 28-30, 45
David B. Popkin	DBP/USPS-3, 6, 9, 11, 13-14, 16, 18, 27p-r, 37-39, 55, 59-62, 65, 67, 70, 72-78, 80, 83-84, 89, 92-94, 96-100, 104, 107, 110-111, 115, 123, 142, 165, 167, 170-172, 178-179
Douglas F. Carlson	DFC/USPS-1-17, 22a-d, f, h-i, 23-24, 27-29, 39, 41, 43, 48-51, 55, 58-65, 76, 78-80, 87-88 DFC/USPS-T34-10 redirected to USPS DFC/USPS-T39-2, 36b, d redirected to USPS
E-Stamp Corporation	OCA/USPS-67, 69 PB/USPS-T11-14-15, 17d, 18, 25, 26b redirected to USPS PB/USPS-T33-3 redirected to USPS
Greeting Card Association	GCA/USPS-T41-37, 40 redirected to USPS
KeySpan Energy	KE/USPS-T29-2e, 10d, 22c, 43 redirected to USPS KE/USPS-T33-3d-h redirected to USPS OCA/USPS-35 Stamps.com/USPS-T33-6 redirected to USPS

Magazine Publishers of America	ADVO/USPS-T3-5, 9 redirected to USPS FGFSA/USPS-T18-3 redirected to USPS MPA/USPS-1, 14-18, 22-23, 26, 28-31, 34-35, 38, 42, 44-51, 54
Mail Order Association of America	AAPS/USPS-T32-11a-c redirected to USPS GCA/USPS-T41-37, 40 redirected to USPS NAA/USPS-5-6 OCA/USPS-118 UPS/USPS-T34-20 redirected to USPS
Major Mailers Association	ABA&NAPM/USPS-T24-22a, 29-32 redirected to USPS ABA&NAPM/USPS-T33-12 redirected to USPS GCA/USPS-T41-37 redirected to USPS MMA/USPS-1-3 MMA/USPS-T24-2a, d, 3a-j, 12, 14c, 15c-d redirected to USPS MMA/USPS-T28-13b redirected to USPS MMA/USPS-T32-1-2 redirected to USPS OCA/USPS-30, 42, 44, 67, 74, 87, 106, 112, 121 OCA/USPS-T33-10b-f, 11b-f redirected to USPS Questions Posed at Hearing, Tr. 7/3193
McGraw-Hill Companies, Inc., The	MH/USPS-1
National Newspaper Association	ANM/USPS-T11-1 redirected to USPS NNA/USPS-2-8, 10-11, 13-14 NNA/USPS-T11-14 redirected to USPS

Newspaper Association of America	AAPS/USPS-T32-16 redirected to USPS AAPS/USPS-T35-9-10 redirected to USPS ABA&NAPM/USPS-T24-1, 25 redirected to USPS ADVO/USPS-T3-5-9 redirected to USPS ANM/USPS-T35-4 redirected to USPS APMU/USPS-T34-8b redirected to USPS CRPA/USPS-T6-16d redirected to USPS DFC/USPS-54, 58-59 MMA/USPS-T28-13b redirected to USPS MMA/USPS-T32-1 redirected to USPS MPA/USPS-2-3 NAA/USPS-1, 3, 7-9 OCA/USPS-84, 92 UPS/USPS-T23-2 redirected to USPS UPS/USPS-T34-19-20 redirected to USPS
Office of the Consumer Advocate	AAP/USPS-1 ABA&NAPM/USPS-1 DFC/USPS-53-54 OCA/USPS-1-5, 7-13, 15-27, 29-45, 47-52, 54-55, 58-64, 66-73, 75-89, 91-92, 94-103, 106-107, 109-119, 121-128 OCA/USPS-T9-27, 30-41 redirected to USPS OCA/USPS-T30-1 redirected to USPS OCA/USPS-T33-9b, 10b-f, 11b-f redirected to USPS OCA/USPS-T39-10 redirected to USPS
Parcel Shippers Association	OCA/USPS-92 PSA/USPS-3-4 PSA/USPS-T32-8 redirected to USPS UPS/USPS-1
Pitney Bowes Inc.	DFC/USPS-16 OCA/USPS-47-50, 58, 60-62 PB/USPS-1 PB/USPS-T11-1-2, 3a-d, 9a-b, 10, 12, 14-15, 17d, 18, 24-25, 26b redirected to USPS PB/USPS-T33-2-3 redirected to USPS

Time Warner Inc.	TW/USPS-1-5 TW/USPS-T17-14a, c-d, 15, 24 redirected to USPS POIR No. 9, Questions 3, 6, 7, and 8
United Parcel Service	ADVO/USPS-5-6 ADVO/USPS-T28-5, 7 redirected to USPS APMU/USPS-T34-1, 3, 8b, 9, 20, 26a.ii-iii, b.ii-iii, c redirected to USPS DBP/USPS-14, 27p-r, 39, 110 DFC/USPS-49, 78 DFC/USPS-T34-8 redirected to USPS MPA/USPS-15, 18, 28, 32, 36a-b, 37a-b, 39, 43 MPA/USPS-T12-32, 34 redirected to USPS NAA/USPS-5, 10 OCA/USPS-1-2, 7, 42, 44, 81, 106 PB/USPS-T11-3a-d, 18 redirected to USPS PSA/USPS-1-2 PSA/USPS-T32-8 redirected to USPS TW/USPS-1 UPS/USPS-1, 3-5, 8, 11 UPS/USPS-T1-17, 18, 22, 25, 26, 27 (supplemental) 31-33, 34d, 51-60, 78 redirected to USPS UPS/USPS-T5-86a-b redirected to USPS UPS/USPS-T10-23 redirected to USPS UPS/USPS-T11-6a, 7-17 redirected to USPS UPS/USPS-T16-3 redirected to USPS UPS/USPS-T18-2-4 redirected to USPS UPS/USPS-T23-2 redirected to USPS UPS/USPS-T34-3a-d, 6, 18-22, 26-27, 29a, 33 redirected to USPS

Respectfully submitted,



Margaret P. Crenshaw

INTERROGATORY RESPONSES OF
UNITED STATES POSTAL SERVICE
DESIGNATED AS WRITTEN CROSS-EXAMINATION

Interrogatory	Designating Parties
AAP/USPS-1	AAP, OCA
AAP/USPS-2	AAP
AAP/USPS-T6-21 redirected to USPS	AAP
AAP/USPS-T27-16 redirected to USPS	AAP
AAP/USPS-T37-23a (partial) redirected to USPS	AAP
AAP/USPS-T37-23c redirected to USPS	AAP
AAPS/USPS-T32-11a redirected to USPS	MOAA
AAPS/USPS-T32-11b redirected to USPS	MOAA
AAPS/USPS-T32-11c redirected to USPS	MOAA
AAPS/USPS-T32-16 redirected to USPS	NAA
AAPS/USPS-T35-9 redirected to USPS	NAA
AAPS/USPS-T35-10 redirected to USPS	NAA
ABA&NAPM/USPS-1	ABA&NAPM, OCA
ABA&NAPM/USPS-3	ABA&NAPM
ABA&NAPM/USPS-6	ABA&NAPM
ABA&NAPM/USPS-T24-1 redirected to USPS	ABA&NAPM, NAA
ABA&NAPM/USPS-T24-7b redirected to USPS	ABA&NAPM
ABA&NAPM/USPS-T24-9 redirected to USPS	ABA&NAPM
ABA&NAPM/USPS-T24-15 redirected to USPS	ABA&NAPM
ABA&NAPM/USPS-T24-22a redirected to USPS	ABA&NAPM, MMA
ABA&NAPM/USPS-T24-25 redirected to USPS	ABA&NAPM, NAA
ABA&NAPM/USPS-T24-29 redirected to USPS	ABA&NAPM, MMA
ABA&NAPM/USPS-T24-30 redirected to USPS	ABA&NAPM, MMA
ABA&NAPM/USPS-T24-31 redirected to USPS	ABA&NAPM, MMA
ABA&NAPM/USPS-T24-32 redirected to USPS	ABA&NAPM, MMA
ABA&NAPM/USPS-T24-35 redirected to USPS	ABA&NAPM
ABA&NAPM/USPS-T28-40 redirected to USPS	ABA&NAPM
ABA&NAPM/USPS-T33-12 redirected to USPS	ABA&NAPM, MMA
ADVO/USPS-2	Advo
ADVO/USPS-3	Advo
ADVO/USPS-5	Advo, UPS
ADVO/USPS-6	Advo, UPS
ADVO/USPS-8	Advo

ADVO/USPS-T3-5 redirected to USPS	MPA, NAA
ADVO/USPS-T3-6 redirected to USPS	NAA
ADVO/USPS-T3-7 redirected to USPS	NAA
ADVO/USPS-T3-8 redirected to USPS	NAA
ADVO/USPS-T3-9 redirected to USPS	MPA, NAA
ADVO/USPS-T28-5 redirected to USPS	UPS
ADVO/USPS-T28-7 redirected to USPS	UPS
ANM/USPS-1	ANM
ANM/USPS-2	ANM
ANM/USPS-3	ANM
ANM/USPS-T2-18 redirected to USPS	ANM
ANM/USPS-T2-20 redirected to USPS	ANM
ANM/USPS-T2-21 redirected to USPS	ANM
ANM/USPS-T2-22 redirected to USPS	ANM
ANM/USPS-T11-1 redirected to USPS	ANM, NNA
ANM/USPS-T21-13 redirected to USPS	ANM
ANM/USPS-T21-14 redirected to USPS	ANM
ANM/USPS-T35-4 redirected to USPS	ANM, NAA
ANM/USPS-T35-5 redirected to USPS	ANM
ANM/USPS-T35-6 redirected to USPS	ANM
ANM/USPS-T38-5 redirected to USPS	ANM
ANM/USPS-T38-6 redirected to USPS	ANM
APMU/USPS-T34-1 redirected to USPS	APMU, UPS
APMU/USPS-T34-3 redirected to USPS	APMU, UPS
APMU/USPS-T34-8b redirected to USPS	APMU, NAA, UPS
APMU/USPS-T34-9 redirected to USPS	APMU, UPS
APMU/USPS-T34-20 redirected to USPS	APMU, UPS
APMU/USPS-T34-26a.ii redirected to USPS	APMU, UPS
APMU/USPS-T34-26a.iii redirected to USPS	APMU, UPS
APMU/USPS-T34-26b.ii redirected to USPS	APMU, UPS
APMU/USPS-T34-26b.iii redirected to USPS	APMU, UPS
APMU/USPS-T34-26c redirected to USPS	APMU, UPS
APMU/USPS-T39-1b redirected to USPS	APMU
APMU/USPS-T39-1c redirected to USPS	APMU
APMU/USPS-T39-1d redirected to USPS	APMU
APMU/USPS-T39-1e redirected to USPS	APMU
CRPA/USPS-T6-16d redirected to USPS	CRPA, NAA
CRPA/USPS-T7-2b redirected to USPS	CRPA
CRPA/USPS-T7-2c redirected to USPS	CRPA

DBP/USPS-3	Popkin
DBP/USPS-6	Popkin
DBP/USPS-9	Popkin
DBP/USPS-11	Popkin
DBP/USPS-13	Popkin
DBP/USPS-14	Popkin, UPS
DBP/USPS-16	Popkin
DBP/USPS-18	Popkin
DBP/USPS-27p	Popkin, UPS
DBP/USPS-27q	Popkin, UPS
DBP/USPS-27r	Popkin, UPS
DBP/USPS-37	Popkin
DBP/USPS-38	Popkin
DBP/USPS-39	Popkin, UPS
DBP/USPS-55	Popkin
DBP/USPS-59	Popkin
DBP/USPS-60	Popkin
DBP/USPS-61	Popkin
DBP/USPS-62	Popkin
DBP/USPS-65	Popkin
DBP/USPS-67	Popkin
DBP/USPS-70	Popkin
DBP/USPS-72	Popkin
DBP/USPS-73	Popkin
DBP/USPS-74	Popkin
DBP/USPS-75	Popkin
DBP/USPS-76	Popkin
DBP/USPS-77	Popkin
DBP/USPS-78	Popkin
DBP/USPS-80	Popkin
DBP/USPS-83	Popkin
DBP/USPS-84	Popkin
DBP/USPS-89	Popkin
DBP/USPS-92	Popkin
DBP/USPS-93	Popkin
DBP/USPS-94	Popkin
DBP/USPS-96	Popkin
DBP/USPS-97	Popkin
DBP/USPS-98	Popkin

DBP/USPS-99	Popkin
DBP/USPS-100	Popkin
DBP/USPS-104	Popkin
DBP/USPS-107	Popkin
DBP/USPS-110	Popkin, UPS
DBP/USPS-111	Popkin
DBP/USPS-115	Popkin
DBP/USPS-123	Popkin
DBP/USPS-142	Popkin
DBP/USPS-165	Popkin
DBP/USPS-167	Popkin
DBP/USPS-170	Popkin
DBP/USPS-171	Popkin
DBP/USPS-172	Popkin
DBP/USPS-178	Popkin
DBP/USPS-179	Popkin
DFC/USPS-1	Carlson
DFC/USPS-2	Carlson
DFC/USPS-3	Carlson
DFC/USPS-4	Carlson
DFC/USPS-5	Carlson
DFC/USPS-6	Carlson
DFC/USPS-7	Carlson
DFC/USPS-8	Carlson
DFC/USPS-9	Carlson
DFC/USPS-10	Carlson
DFC/USPS-11	Carlson
DFC/USPS-12	Carlson
DFC/USPS-13	Carlson
DFC/USPS-14	Carlson
DFC/USPS-15	Carlson
DFC/USPS-16	Carlson, Pitney Bowes
DFC/USPS-17	Carlson
DFC/USPS-22a	Carlson
DFC/USPS-22b	Carlson
DFC/USPS-22c	Carlson
DFC/USPS-22d	Carlson
DFC/USPS-22f	Carlson
DFC/USPS-22h	Carlson

DFC/USPS-22i	Carlson
DFC/USPS-23	Carlson
DFC/USPS-24	Carlson
DFC/USPS-27	Carlson
DFC/USPS-28	Carlson
DFC/USPS-29	Carlson
DFC/USPS-39	Carlson
DFC/USPS-41	Carlson
DFC/USPS-43	Carlson
DFC/USPS-48	Carlson
DFC/USPS-49	Carlson, UPS
DFC/USPS-50	Carlson
DFC/USPS-51	Carlson
DFC/USPS-53	APMU, OCA
DFC/USPS-54	APMU, NAA, OCA
DFC/USPS-55	Carlson
DFC/USPS-58	Carlson, NAA
DFC/USPS-59	Carlson, NAA
DFC/USPS-60	Carlson
DFC/USPS-61	Carlson
DFC/USPS-62	Carlson
DFC/USPS-63	Carlson
DFC/USPS-64	Carlson
DFC/USPS-65	Carlson
DFC/USPS-76	Carlson
DFC/USPS-78	Carlson, UPS
DFC/USPS-79	Carlson
DFC/USPS-80	Carlson
DFC/USPS-87	Carlson
DFC/USPS-88	Carlson
DFC/USPS-T34-8 redirected to USPS	APMU, UPS
DFC/USPS-T34-10 redirected to USPS	Carlson
DFC/USPS-T39-2 redirected to USPS	Carlson
DFC/USPS-T39-36b redirected to USPS	Carlson
DFC/USPS-T39-36d redirected to USPS	Carlson
FGFSA/USPS-T18-3 redirected to USPS	CRPA, MPA
GCA/USPS-T41-37 redirected to USPS	GCA, MMA, MOAA
GCA/USPS-T41-40 redirected to USPS	GCA, MOAA
KE/USPS-T29-2e redirected to USPS	KeySpan

KE/USPS-T29-10d redirected to USPS	KeySpan
KE/USPS-T29-22c redirected to USPS	KeySpan
KE/USPS-T29-43 redirected to USPS	KeySpan
KE/USPS-T33-3d redirected to USPS	KeySpan
KE/USPS-T33-3e redirected to USPS	KeySpan
KE/USPS-T33-3f redirected to USPS	KeySpan
KE/USPS-T33-3g redirected to USPS	KeySpan
KE/USPS-T33-3h redirected to USPS	KeySpan
MH/USPS-1	McGraw-Hill
MMA/USPS-1	MMA
MMA/USPS-2	MMA
MMA/USPS-3	MMA
MMA/USPS-T24-2a redirected to USPS	MMA
MMA/USPS-T24-2d redirected to USPS	MMA
MMA/USPS-T24-3a redirected to USPS	MMA
MMA/USPS-T24-3b redirected to USPS	MMA
MMA/USPS-T24-3c redirected to USPS	MMA
MMA/USPS-T24-3d redirected to USPS	MMA
MMA/USPS-T24-3e redirected to USPS	MMA
MMA/USPS-T24-3f redirected to USPS	MMA
MMA/USPS-T24-3g redirected to USPS	MMA
MMA/USPS-T24-3h redirected to USPS	MMA
MMA/USPS-T24-3i redirected to USPS	MMA
MMA/USPS-T24-3j redirected to USPS	MMA
MMA/USPS-T24-12 redirected to USPS	MMA
MMA/USPS-T24-14c redirected to USPS	MMA
MMA/USPS-T24-15c redirected to USPS	MMA
MMA/USPS-T24-15d redirected to USPS	MMA
MMA/USPS-T28-13b redirected to USPS	MMA, NAA
MMA/USPS-T32-1 redirected to USPS	MMA, NAA
MMA/USPS-T32-2 redirected to USPS	MMA
MPA/USPS-1	MPA
MPA/USPS-2	Advo, NAA
MPA/USPS-3	Advo, NAA
MPA/USPS-14	MPA
MPA/USPS-15	CRPA, MPA, UPS
MPA/USPS-16	CRPA, MPA
MPA/USPS-17	CRPA, MPA
MPA/USPS-18	CRPA, MPA, UPS

MPA/USPS-20	CRPA
MPA/USPS-22	MPA
MPA/USPS-23	MPA
MPA/USPS-26	MPA
MPA/USPS-28	CRPA, MPA, UPS
MPA/USPS-29	CRPA, MPA
MPA/USPS-30	CRPA, MPA
MPA/USPS-31	MPA
MPA/USPS-32	UPS
MPA/USPS-34	MPA
MPA/USPS-35	MPA
MPA/USPS-36a	UPS
MPA/USPS-36b	UPS
MPA/USPS-37a	UPS
MPA/USPS-37b	UPS
MPA/USPS-38	MPA
MPA/USPS-39	UPS
MPA/USPS-42	MPA
MPA/USPS-43	UPS
MPA/USPS-44	MPA
MPA/USPS-45	CRPA, MPA
MPA/USPS-46	MPA
MPA/USPS-47	MPA
MPA/USPS-48	MPA
MPA/USPS-49	MPA
MPA/USPS-50	MPA
MPA/USPS-51	MPA
MPA/USPS-54	MPA
MPA/USPS-T12-32 redirected to USPS	UPS
MPA/USPS-T12-34 redirected to USPS	UPS
NAA/USPS-1	NAA
NAA/USPS-3	NAA
NAA/USPS-5	Advo, MOAA, UPS
NAA/USPS-6	Advo, MOAA
NAA/USPS-7	NAA
NAA/USPS-8	NAA
NAA/USPS-9	Advo, NAA
NAA/USPS-10	Advo, UPS
NNA/USPS-2	NNA

NNA/USPS-3	NNA
NNA/USPS-4	NNA
NNA/USPS-5	NNA
NNA/USPS-6	NNA
NNA/USPS-7	NNA
NNA/USPS-8	NNA
NNA/USPS-10	NNA
NNA/USPS-11	NNA
NNA/USPS-13	NNA
NNA/USPS-14	NNA
NNA/USPS-T11-14 redirected to USPS	NNA
OCA/USPS-1	OCA, UPS
OCA/USPS-2	OCA, UPS
OCA/USPS-3	OCA
OCA/USPS-4	OCA
OCA/USPS-5	OCA
OCA/USPS-7	OCA, UPS
OCA/USPS-8	OCA
OCA/USPS-9	OCA
OCA/USPS-10	OCA
OCA/USPS-11	OCA
OCA/USPS-12	OCA
OCA/USPS-13	OCA
OCA/USPS-15	OCA
OCA/USPS-16	OCA
OCA/USPS-17	OCA
OCA/USPS-18	OCA
OCA/USPS-19	OCA
OCA/USPS-20	OCA
OCA/USPS-21	OCA
OCA/USPS-22	OCA
OCA/USPS-23	OCA
OCA/USPS-24	OCA
OCA/USPS-25	OCA
OCA/USPS-26	OCA
OCA/USPS-27	OCA
OCA/USPS-29	OCA
OCA/USPS-30	MMA, OCA
OCA/USPS-31	OCA

OCA/USPS-32	OCA
OCA/USPS-33	OCA
OCA/USPS-34	OCA
OCA/USPS-35	KeySpan, OCA
OCA/USPS-36	OCA
OCA/USPS-37	OCA
OCA/USPS-38	OCA
OCA/USPS-39	OCA
OCA/USPS-40	OCA
OCA/USPS-41	OCA
OCA/USPS-42	MMA, OCA, UPS
OCA/USPS-43	OCA
OCA/USPS-44	MMA, OCA, UPS
OCA/USPS-45	OCA
OCA/USPS-47	OCA, Pitney Bowes
OCA/USPS-48	OCA, Pitney Bowes
OCA/USPS-49	OCA, Pitney Bowes
OCA/USPS-50	OCA, Pitney Bowes
OCA/USPS-51	OCA
OCA/USPS-52	OCA
OCA/USPS-54	OCA
OCA/USPS-55	OCA
OCA/USPS-58	OCA, Pitney Bowes
OCA/USPS-59	OCA
OCA/USPS-60	OCA, Pitney Bowes
OCA/USPS-61	OCA, Pitney Bowes
OCA/USPS-62	OCA, Pitney Bowes
OCA/USPS-63	OCA
OCA/USPS-64	OCA
OCA/USPS-66	OCA
OCA/USPS-67	E-Stamp, MMA, OCA
OCA/USPS-68	OCA
OCA/USPS-69	E-Stamp, OCA
OCA/USPS-70	OCA
OCA/USPS-71	OCA
OCA/USPS-72	OCA
OCA/USPS-73	OCA
OCA/USPS-74	MMA
OCA/USPS-75	OCA

OCA/USPS-76	OCA
OCA/USPS-77	OCA
OCA/USPS-78	OCA
OCA/USPS-79	OCA
OCA/USPS-80	OCA
OCA/USPS-81	OCA, UPS
OCA/USPS-82	OCA
OCA/USPS-83	OCA
OCA/USPS-84	NAA, OCA
OCA/USPS-85	OCA
OCA/USPS-86	OCA
OCA/USPS-87	MMA, OCA
OCA/USPS-88	OCA
OCA/USPS-89	OCA
OCA/USPS-91	OCA
OCA/USPS-92	NAA, OCA, PSA
OCA/USPS-94	OCA
OCA/USPS-95	OCA
OCA/USPS-96	OCA
OCA/USPS-97	OCA
OCA/USPS-98	OCA
OCA/USPS-99	OCA
OCA/USPS-100	OCA
OCA/USPS-101	OCA
OCA/USPS-102	OCA
OCA/USPS-103	OCA
OCA/USPS-106	MMA, OCA, UPS
OCA/USPS-107	OCA
OCA/USPS-109	OCA
OCA/USPS-110	OCA
OCA/USPS-111	OCA
OCA/USPS-112	MMA, OCA
OCA/USPS-113	OCA
OCA/USPS-114	OCA
OCA/USPS-115	OCA
OCA/USPS-116	OCA
OCA/USPS-117	OCA
OCA/USPS-118	Advo, MOAA, OCA
OCA/USPS-119	OCA

OCA/USPS-121	MMA, OCA
OCA/USPS-122	OCA
OCA/USPS-123	OCA
OCA/USPS-124	OCA
OCA/USPS-125	OCA
OCA/USPS-126	OCA
OCA/USPS-127	OCA
OCA/USPS-128	OCA
OCA/USPS-T9-27 redirected to USPS	OCA
OCA/USPS-T9-30 redirected to USPS	OCA
OCA/USPS-T9-31 redirected to USPS	OCA
OCA/USPS-T9-32 redirected to USPS	OCA
OCA/USPS-T9-33 redirected to USPS	OCA
OCA/USPS-T9-34 redirected to USPS	OCA
OCA/USPS-T9-35 redirected to USPS	OCA
OCA/USPS-T9-36 redirected to USPS	OCA
OCA/USPS-T9-37 redirected to USPS	OCA
OCA/USPS-T9-38 redirected to USPS	OCA
OCA/USPS-T9-39 redirected to USPS	OCA
OCA/USPS-T9-40 redirected to USPS	OCA
OCA/USPS-T9-41 redirected to USPS	OCA
OCA/USPS-T30-1 redirected to USPS	OCA
OCA/USPS-T33-9b redirected to USPS	OCA
OCA/USPS-T33-10b redirected to USPS	MMA, OCA
OCA/USPS-T33-10c redirected to USPS	MMA, OCA
OCA/USPS-T33-10d redirected to USPS	MMA, OCA
OCA/USPS-T33-10e redirected to USPS	MMA, OCA
OCA/USPS-T33-10f redirected to USPS	MMA, OCA
OCA/USPS-T33-11b redirected to USPS	MMA, OCA
OCA/USPS-T33-11c redirected to USPS	MMA, OCA
OCA/USPS-T33-11d redirected to USPS	MMA, OCA
OCA/USPS-T33-11e redirected to USPS	MMA, OCA
OCA/USPS-T33-11f redirected to USPS	MMA, OCA
OCA/USPS-T39-10 redirected to USPS	OCA
PB/USPS-1	Pitney Bowes
PB/USPS-T11-1 redirected to USPS	Pitney Bowes
PB/USPS-T11-2 redirected to USPS	Pitney Bowes
PB/USPS-T11-3a redirected to USPS	Pitney Bowes, UPS
PB/USPS-T11-3b redirected to USPS	Pitney Bowes, UPS

PB/USPS-T11-3c redirected to USPS	Pitney Bowes, UPS
PB/USPS-T11-3d redirected to USPS	Pitney Bowes, UPS
PB/USPS-T11-9a redirected to USPS	Pitney Bowes
PB/USPS-T11-9b redirected to USPS	Pitney Bowes
PB/USPS-T11-10 redirected to USPS	Pitney Bowes
PB/USPS-T11-12 redirected to USPS	Pitney Bowes
PB/USPS-T11-14 redirected to USPS	E-Stamp, Pitney Bowes
PB/USPS-T11-15 redirected to USPS	E-Stamp, Pitney Bowes
PB/USPS-T11-17d redirected to USPS	E-Stamp, Pitney Bowes
PB/USPS-T11-18 redirected to USPS	E-Stamp, Pitney Bowes, UPS
PB/USPS-T11-24 redirected to USPS	Pitney Bowes
PB/USPS-T11-25 redirected to USPS	E-Stamp, Pitney Bowes
PB/USPS-T11-26b redirected to USPS	E-Stamp, Pitney Bowes
PB/USPS-T33-2 redirected to USPS	Pitney Bowes
PB/USPS-T33-3 redirected to USPS	E-Stamp, Pitney Bowes
PostCom/USPS-1	PostCom
PostCom/USPS-2	PostCom
PostCom/USPS-3	PostCom
PostCom/USPS-4	PostCom
PSA/USPS-1	UPS
PSA/USPS-2	UPS
PSA/USPS-3	PSA
PSA/USPS-4	PSA
PSA/USPS-T32-8 redirected to USPS	PSA, UPS
Stamps.com/USPS-T33-6 redirected to USPS	KeySpan
TW/USPS-1	TW, UPS
TW/USPS-2	TW
TW/USPS-3	TW
TW/USPS-4	TW
TW/USPS-5	TW
TW/USPS-T17-14a redirected to USPS	TW
TW/USPS-T17-14c redirected to USPS	TW
TW/USPS-T17-14d redirected to USPS	TW
TW/USPS-T17-15 redirected to USPS	TW
TW/USPS-T17-24 redirected to USPS	TW
UPS/USPS-1	PSA, UPS
UPS/USPS-3	UPS
UPS/USPS-4	UPS
UPS/USPS-5	UPS

UPS/USPS-7	APMU
UPS/USPS-8	APMU, UPS
UPS/USPS-9	APMU
UPS/USPS-11	UPS
UPS/USPS-T1-17 redirected to USPS	UPS
UPS/USPS-T1-18 sup. redirected to USPS	UPS
UPS/USPS-T1-22 sup. redirected to USPS	UPS
UPS/USPS-T1-25 sup. redirected to USPS	UPS
UPS/USPS-T1-26 sup. redirected to USPS	UPS
UPS/USPS-T1-27 sup. redirected to USPS	UPS
UPS/USPS-T1-31 redirected to USPS	UPS
UPS/USPS-T1-32 redirected to USPS	UPS
UPS/USPS-T1-33 redirected to USPS	UPS
UPS/USPS-T1-34d redirected to USPS	UPS
UPS/USPS-T1-50b redirected to USPS	APMU
UPS/USPS-T1-50c redirected to USPS	APMU
UPS/USPS-T1-51 redirected to USPS	UPS
UPS/USPS-T1-52 redirected to USPS	UPS
UPS/USPS-T1-53 redirected to USPS	UPS
UPS/USPS-T1-54 redirected to USPS	UPS
UPS/USPS-T1-55 redirected to USPS	UPS
UPS/USPS-T1-56 redirected to USPS	UPS
UPS/USPS-T1-57 redirected to USPS	UPS
UPS/USPS-T1-58 redirected to USPS	UPS
UPS/USPS-T1-59 redirected to USPS	UPS
UPS/USPS-T1-60 redirected to USPS	UPS
UPS/USPS-T1-78 redirected to USPS	UPS
UPS/USPS-T5-86a redirected to USPS	UPS
UPS/USPS-T5-86b redirected to USPS	UPS
UPS/USPS-T10-23 redirected to USPS	UPS
UPS/USPS-T11-6a redirected to USPS	UPS
UPS/USPS-T11-7 redirected to USPS	UPS
UPS/USPS-T11-8 redirected to USPS	UPS
UPS/USPS-T11-9 redirected to USPS	UPS
UPS/USPS-T11-10 redirected to USPS	UPS
UPS/USPS-T11-11 redirected to USPS	UPS
UPS/USPS-T11-12 redirected to USPS	UPS
UPS/USPS-T11-13 redirected to USPS	UPS
UPS/USPS-T11-14 redirected to USPS	UPS

UPS/USPS-T11-15 redirected to USPS	UPS
UPS/USPS-T11-16 redirected to USPS	UPS
UPS/USPS-T11-17 redirected to USPS	UPS
UPS/USPS-T16-3 redirected to USPS	UPS
UPS/USPS-T18-2 redirected to USPS	UPS
UPS/USPS-T18-3 redirected to USPS	UPS
UPS/USPS-T18-4 redirected to USPS	UPS
UPS/USPS-T23-2 redirected to USPS	NAA, UPS
UPS/USPS-T34-3a redirected to USPS	UPS
UPS/USPS-T34-3b redirected to USPS	UPS
UPS/USPS-T34-3c redirected to USPS	UPS
UPS/USPS-T34-3d redirected to USPS	UPS
UPS/USPS-T34-6 redirected to USPS	UPS
UPS/USPS-T34-18 redirected to USPS	UPS
UPS/USPS-T34-19 redirected to USPS	NAA, UPS
UPS/USPS-T34-20 redirected to USPS	MOAA, NAA, UPS
UPS/USPS-T34-21 redirected to USPS	UPS
UPS/USPS-T34-22 redirected to USPS	UPS
UPS/USPS-T34-26 redirected to USPS	UPS
UPS/USPS-T34-27 redirected to USPS	UPS
UPS/USPS-T34-29a redirected to USPS	UPS
UPS/USPS-T34-33 redirected to USPS	APMU, UPS
POIR No. 6, Question 9	APMU
POIR No. 9, Questions 3, 6, 7, and 8	TW
Questions Posed at Hearing, Tr. 7/3193	MMA

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF ASSOC. OF AMERICAN PUBLISHERS

AAP/USPS-1. In AAP/USPS-T15-1 Response, Witness Bozzo states he has no knowledge whether any other Postal Service witness in this case has addressed the issue of cost minimization. Please confirm if any USPS witness in this case has analyzed or addressed whether the Postal Service's actual plans and procedures are cost minimizing. Please provide the names of any witnesses who have addressed this issue. Additionally, please provide a cited passage in the testimony where this issue is addressed.

RESPONSE:

No postal witness in this case has attempted to analyze whether the Postal Service's operating plan is actually cost minimizing. As Prof. Panzar stated in his direct testimony in Docket No. R97-1:

> However, the efficiency of the Postal Service operating plan is not an issue for the analyst. *As long as it is given that postal services will be produced following Postal Service practices and procedures, the relevant marginal and incremental costs for pricing purposes are those calculated based on the Postal Service operating plan.*

USPS-T-11 (Docket No. R97-1) at 17 (emphasis in original). The same basic point is made in the article "On Setting Prices and Testing Cross-Subsidy with Accounting Data," Bradley, Colvin, and Panzar, Journal of Regulatory Economics 16:83-100 (1999) at 85-86.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF ASSOC. OF AMERICAN PUBLISHERS**

AAP/USPS-2. In AAP/USPS--T15-8 Response, Witness Bozzo states he is unaware of any cost studies that incorporate vehicle arrivals and departures as cost drivers. Please confirm if any USPS witness in this case has any knowledge about the existence of any studies that incorporate this information. Please provide the name of the specific witness who has addressed this issue. Additionally, please provide a cited passage in the testimony where this issue is addressed or the location of the particular study.

RESPONSE:

The Postal Service is unaware of any cost studies that incorporate vehicle arrivals and departures as cost drivers.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF ASSOCIATION OF AMERICAN PUBLISHERS
REDIRECTED FROM POSTAL SERVICE WITNESS TOLLEY

AAP/USPS-T6-21 Please refer to your response to AAP/USPS-T6-6. In your response you state that "the 1999 Household Diary is not available at this time." With respect to this statement:
(a) Please identify a date when the 1999 Household Diary will be available.
(b) Please provide any preliminary data from the 1999 Household Diary study which addresses or pertains to the volume of the Bound Printed Matter ("BPM") subclass which consists of books.
(c) Please provide the 1999 Household Diary when it becomes available.

RESPONSE:

(a) We do not have a definite date when the 1999 Household Diary will be available. It most likely will be available in the Fall of 2000.

(b) No preliminary data are available.

(c) It is possible that the 1999 Household Diary Study will not be available until after the R2000-1 record closes.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF ASSOCIATION OF AMERICAN
PUBLISHERS REDIRECTED FROM WITNESS CRUM

AAP/USPS-T27-16. Please state when the Postal Service will finalize the mail makeup and entry requirements that BPM mail will be required to meet in order to receive the DSCF and DDU discounts proposed by witness Kiefer (USPS-T-37). If such requirements are known, please provide the actual requirements.

RESPONSE

The Postal Service anticipates filing a Federal Register notice that contains the requirements in approximately mid-July. Mailer comments to the proposed requirements will be taken into consideration when developing the final requirements. It is anticipated that the final requirements will be published in the Federal Register shortly (approximately 5 days) after the Governors issue their decision regarding the Postal Rate Commission's Docket No. 2000-1 Opinion and Recommended Decision.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF THE ASSOCIATION OF AMERICAN PUBLISHERS
REDIRECTED FROM WITNESS KIEFER

AAP/USPS-T37-23 Please refer to Table 14 found on page 31 of your testimony. With respect to Table 14:

(a) Please identify the source of the BPM volume data shown in Table 14 of your testimony and identify all alternative sources for BPM volume data that are available to the Postal Service.

(b) Please update Table 14 to reflect FY 1999 volume figures for BPM.

(c) Please explain footnote 2 of Table 14 which states that "1998 is recast to account for a Parcel Post reclassification."

RESPONSE

(a) Responded in part by witness Kiefer. ODIS is an alternative source for BPM volume.

(b) Responded to by witness Kiefer.

(c) Please refer to the responses of the United States Postal Service to PSA/USPS-T32-8, redirected from witness Mayes, and to UPS/USPS-T5-13, redirected from witness Hunter.

RESPONSE OF UNITED STATES POSTAL SERVICE TO AAPS INTERROGATORIES
REDIRECTED FROM WITNESS MAYES

AAPS/USPS-T32-11. At pages 38 and 39 you address ECR mail, competitors and competition.

(a). Please confirm that the Postal Service (actually, the Post Office Department) has defined the term "letter" in such a way that an alternate delivery company may not deliver a supermarket advertisement to half of the people living in a given neighborhood without paying the postage.

(b). Please confirm that, under the definition of "letter" implemented by the Postal Service, that supermarket brochure (unless it exceeds 32 pages) may be delivered by an alternate delivery company (without paying postage) only if it is delivered to every address.

(c). Please confirm that, given the Private Express Statutes and the Postal Service's definitions implementing them, the most relevant rate for determining impact on private delivery companies such as AAPS members is the rate for saturation ECR at weight levels above the break point.

(d). If the Postal Service's proposal for rate reductions as high as double digits for saturation ECR mail are approved, do you believe that such rate reductions will adversely affect Postal Service competitors? If so, please explain what steps, if any, the Postal Service took to determine the extent of that adverse affect.

Response:

(a) A tangible object consisting of a "supermarket advertising" is a letter, for purposes of the Private Express Statutes, if it is recorded in or on a tangible object, and is delivered to a specific person or place in accordance with a selective delivery plan, as defined by 39 C.F.R. section 310.1(a). As indicated by section 310.1(a)(3), a selective delivery plan does not include delivery to all or randomly selected residents of an area. Whether or not one of the Private Express exceptions or suspensions would apply to permit private carriage of a particular "supermarket advertising" without postage to "half of the people living in a given

Response to AAPS/USPS-T32-11, cont'd

neighborhood" would depend on the facts surrounding the particular advertising and the manner in which "half of the people" living in the neighborhood became recipients. In accordance with section 310.6, the Advisory Opinions of the Law Department of the Postal Service, which interpret the Private Express Statutes, are available for examination in the USPS Headquarters Library.

(b) Not confirmed. Please review 39 C.F.R. section 310.1(a)(3) and the response to part (a) above.

(c) In order to answer this question, one would need to have access to information about "private delivery companies such as AAPS members" and the matter that they deliver which is neither referenced in nor made available as part of this question.

(d) Answered by witness Mayes.

RESPONSE OF UNITED STATES POTSAL SERVICE TO INTERROGATORY OF ASSOCIATION OF ALTERNATE POSTAL SYSTEMS REDIRECTED FROM WITNESS MAYES

AAPS/USPS-T32-16. You state in response to AAPS/USPS-T32-4 that other providers of delivery service are not required to reveal their cost structures, rate application, pricing and other practices. Isn't that why the Postal Service contracted with SAI for the various reports concerning other delivery services? Didn't other delivery services cooperate by providing information to SAI?

RESPONSE:

The purpose of SAI research is to provide the Postal Service with a broad sense of the alternate delivery market, and understanding pricing is one component of such research.

Interviews with other firms are a means of collection of information, but there is no mechanism to control for the accuracy of the information provided by such sources.

RESPONSE OF UNITED STATES POTSAL SERVICE TO INTERROGATORIES OF ASSOCIATION OF ALTERNATE POSTAL SYSTEMS REDIRECTED FROM WITNESS MOELLER

AAPS/USPS-T35-9. Has the SAI Study been updated since the close of the record in Docket No. R97-1. If so, please make a copy of the study available.

RESPONSE:

The most recent version of the SAI study is provided in USPS LR-I-268, filed under protective conditions of P.O. Ruling No. R2000-1/21.

RESPONSE OF UNITED STATES POTSAL SERVICE TO INTERROGATORIES OF ASSOCIATION OF ALTERNATE POSTAL SYSTEMS REDIRECTED FROM WITNESS MOELLER

AAPS/USPS-T35-10. Since the close of the record in Docket No. R97-1, has the Postal Service conducted or caused to be conducted any study of competition from the private sector for the carriage of saturation advertising material? If so, please make a copy of that study available. If there is such a study and the Postal Service intends once again to object to its release, in response to this question please provide the name and employer of the person or persons that conducted the study, a summary of its content and a copy of the study plan or outline of its scope.

RESPONSE:

See the second document provided in USPS LR-I-268, filed under protective conditions of P.O. Ruling No. R2000-1/21.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF THE AMERICAN BANKERS ASSOCIATION AND
NATIONAL ASSOCIATION OF PRESORT MAILERS

ABA&NAPM/USPS-1. In LR-I-179, in response to OCA/USPS-2, you project declining volumes of First Class single piece mail annually from 53.6 billion pieces in PFY1999 to 39.9 billion pieces in PFY2008. You project increasing volumes for First Class workshared mail from PFY1999 (43.1 billion pieces) through PFY2003 (50.9 billion pieces) and decreasing volumes for First Class workshared mail annually starting in PFY2004 (50.2 billion pieces) and ending in PFY2008 (44.5 billion pieces).

(a) Given these projections, why in this case are you not scaling back your mail processing capacity, or at a minimum, not adding additional capacity, e.g. DBCS, RBCS, RCR?

(b) Given these projections, why in this case are you not scaling back the capacity of your delivery network, or at a minimum, not adding additional capacity?

(c) Why does the decline in workshared volume begin in 2004, as opposed to 2001, or 2002?

(d) Please confirm that the driving factor in these volume forecasts is the assumption of increasing use of electronic communications alternatives for bills and bill payments.

(e) Please explain why in the forecasts beyond 2003, there does not appear to be a very close correspondence between loss of workshared mail, i.e. bills, and further incremental loss in First Class single piece volume, i.e. bill payments, due to electronic diversion.

(f) In the forecasts, what numbers and percentages of (1) businesses and (2) households are assumed to use electronic means for (a) bill receipts and (b) bill payments for each year in your forecast: 1999-2008.

RESPONSE:

(a) The projections in LR-I-179 constitute one of a range of possible scenarios the Postal Service is examining with respect to the future of mail delivery. As such, it is not the sole, or even a major, determinant of processing

capacity planning. Even in a future similar to the one envisioned in this scenario, the Postal Service believes that investment in processing technology will continue to make mail processing more efficient and cost-effective. This is especially true since the added capacity of RBCS, RCR, and DBCSs is primarily at additional sites which, due to their more remote locations, are likely to continue processing letters through FY 2008. Moreover, the volumes most likely to be lost due to electronic diversion are letters, while our investments are currently more focused on flat-shaped mail, packages, and material handling.

(b) The size of the Postal Service's delivery network is primarily a function of the number of delivery points, which are a function of demographics (i.e. population size and distribution, local economic expansion) rather than just a function of mail volume.

(c) The scenario in LR-I-179 contains additional incremental diversion beginning in PFY2003 for both single piece and workshared mail. This reflects an assumption about the timing of increasing use of electronic alternatives to traditional mail.

(d) The declining First Class mail volume from 2003 on in the scenario in LR-I-179 is due to an assumption of increased diversion of bills, statements, and bill payments to electronic alternatives to hard-copy mail.

(e) The scenario as constructed was not necessarily intended to represent exact proportionality between diverted bills and diverted payments. Data from the Household Diary Study indicate that bills and statements are delivered via

both single piece and workshared First Class mail. The scenario therefore leaves some flexibility between diverted bills, statements, and payments.

(f) The proportion of households and businesses using electronic alternatives to traditional mail is not an explicit input into the scenario in LR-I-179. A number of different assumptions about percentages of households and businesses that use these alternatives, and the frequency with which each uses them, could lead to the volume projections in the scenario.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF THE AMERICAN BANKERS ASSOCIATION AND
NATIONAL ASSOCIATION OF PRESORT MAILERS

ABA&NAPM/USPS-3. On February 9, 1999, Commission Chairman Gleiman testified before the House Committee on Government Reform as follows:

> There is a consensus that it is just a matter of time before the large portion of the First Class mailstream made up of bills and bill payments is susceptible to electronic diversion. This mail makes up nearly half of First Class Mail. It tends to be "clean mail", that is, regularly sized, letter envelopes that are accurately addressed, and it makes a disproportionate contribution to the $20 billion institutional cost burden of the Postal Service. If a significant portion of this mail leaves, the Postal Service will be forced to impose steep rate increases unless it can sharply reduce its costs, find sources of substantial new profits, or both.

(a) Please confirm that the Postal Service position on this issue is a part of the "consensus" Chairman Gleiman refers to in sentence one above.

(b) Please confirm your agreement with the third sentence in the above quote.

(c) In light of the risks set forth in sentence four above, why has the Postal Service raised all First Class worksharing rates in this case?

RESPONSE:

(a) The Postal Service believes "that it is just a matter of time before the large portion of the First Class mailstream made up of bills and bill payments is susceptible to electronic diversion".

(b) Bills and bill payments are generally "regularly sized, letter envelopes that are accurately addressed", and they make a greater contribution to institutional cost than their proportion of piece volume would indicate.

(c) In order to cover its costs, maintain the historical relationship between rates established in previous cases, and otherwise comply with the criteria of the

Act, it is appropriate for the Postal Service to raise rates for First Class worksharing mail. Moreover, there is no clear relationship between the risks identified in the fourth sentence of the quote, and rate increases in First-Class worksharing mail of the variety proposed by the Postal Service in this proceeding.

RESPONSE OF US POSTAL SERVICE TO INTERROGATORIES OF AMERICAN BANKERS ASSOCIATION and NATIONAL ASOCIATION OF PRESORT MAILERS

ABA&NAPM/USPS-6 In your 1998 Comprehensive Statement on Postal Operations, at page 97, you list as an FY 2000 goal a 0.5% increase in Total Factor Productivity, and a 1% increase in labor productivity. In your latest annual planning statement for FY 2000 you list 3.6% as the FY 2000 goal for total factor productivity.

a. What accounts for the change from 0.5% to 3.6%?
b. What dramatic changes in technology, in labor-management relations or expectations about labor contracts, or other factors have led USPS to change its forecast from 0.5% productivity growth to 3.5% productivity growth?
c. In the decision to file your rate case in January of 2000, did you rely upon the 0.5% or the 3.6% productivity growth factor?
d. Has there been any change in you 1% goal for labor productivity growth in FY 2000? What labor productivity growth underlies your filing in R2000-1?

RESPONSE:

a) The Postal Service's objective is to improve Total Factor Productivity (TFP), on average over time, 0.5 percent annually. This average was used as the productivity target when developing the Preliminary FY 2000 Annual Performance Plan included as Chapter 4 of the 1998 Comprehensive Statement on Postal Operations. Please refer to page 103 of the Comprehensive Statement for further discussion on the Postal Service's productivity objective. The Fiscal Year 2000 Annual Performance Plan includes an increase in TFP of 3.1 percent (see page 13). This increase is calculated based on estimated FY 1999 year end results as the base, and the FY 2000 Net Income plan.

b) As stated in part a above, the long-term average annual TFP growth was used in the developing the Preliminary Fiscal Year 2000 Performance Plan.

RESPONSE OF US POSTAL SERVICE TO INTERROGATORIES OF AMERICAN BANKERS ASSOCIATION and NATIONAL ASOCIATION OF PRESORT MAILERS

ABA&NAPM/USPS-6 continued

submitted to Congress in February 1999. Estimated FY 1999 year-end results and the FY 2000 net income plan were used to calculate the productivity target for the Fiscal Year 2000 Annual Performance Plan submitted to Congress in September of 1999.

c) Neither factor was relied on. In the revenue requirement, estimates of financial performance for FY 1999 and FY 2000 are approximately equal to actual performance in FY 1999 and the budget for FY 2000. Accordingly, the TFP estimate would approximate 3 percent.

d) The issues discussed in the response to parts a – c on Total Factor Productivity also relate to labor productivity.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY OF AMERICAN BANKERS ASSOCIATION & NATIONAL ASSOCIATION OF PRESORT MAILERS REDIRECTED FROM WITNESS MILLER

ABA&NAPM/USPS-T24-1 For Table 1, please reproduce the data using:

b. the same methods used by the Commission in R97-1.

RESPONSE:

b. See Attachments 1 through 5.

TABLE 1: TOTAL MAIL PROCESSING UNIT COSTS AND WORKSHARING RELATED SAVINGS SUMMARY
RESPONSE TO ABA&NAPM/USPS-T24-1B (4/13/2000)

RATE CATEGORY	TOTAL MAIL PROCESSING UNIT COST (CENTS)	WORK SHARING RELATED SAVINGS (CENTS)*	RATE CATEGORY BENCHMARK
FIRST-CLASS MAIL LETTERS			
Nonautomation Letters	11.570	-0.255	Bulk Meter Mail Letters
Automation Basic Letters	5.595	6.880	Bulk Meter Mail Letters
Automation 3-Digit Letters	4.585	1.133	Automation Basic Letters
Automation 5-Digit Letters	3.374	1.411	Automation 3-Digit Letters
Automation Carrier Route Letters	3.105	0.717	Automation 5-Digit Letters (CSBCS/Manual Sites)
FIRST-CLASS MAIL CARDS			
Nonautomation Cards	4.658	—	—
Automation Basic Cards	2.927	2.346	Nonautomation Cards
Automation 3-Digit Cards	2.409	0.584	Automation Basic Cards
Automation 5-Digit Cards	1.788	0.728	Automation 3-Digit Cards
Automation Carrier Route Cards	0.768	1.251	Automation 5-Digit Cards (CSBCS/Manual Sites)
STANDARD (A) REGULAR LETTERS			
Nonautomation Basic Letters	12.474	—	—
Nonautomation 3/5-Digit Letters	10.488	2.020	Nonautomation Basic Letters
Automation Basic Letters	6.533	6.372	Nonautomation Basic Letters
Automation 3-Digit Letters	5.487	5.439	Nonautomation 3/5-D Letters
Automation 5-Digit Letters	4.147	1.409	Automation 3-D Letters
STANDARD (A) NONPROFIT LETTERS			
Nonautomation Basic Letters	8.377	—	—
Nonautomation 3/5-Digit Letters	6.685	1.365	Nonautomation Basic Letters
Automation Basic Letters	5.220	3.832	Nonautomation Basic Letters
Automation 3-Digit Letters	4.346	3.389	Nonautomation 3/5-D Letters
Automation 5-Digit Letters	3.291	1.134	Automation 3-D Letters

* The worksharing related savings include both mail processing and delivery savings and is based on the total mail processing unit costs and delivery unit costs found in LR-I-147.

Attachment 1 of 5 to ABA&NAPM/USPS-T24-1b Response

FIRST-CLASS LETTERS SUMMARY
USPS LR-I-147 PRC VERSION

ABA&NAPM/USPS-T24-1B
REVISED 4/13/2000

BENCHMARK RATE CATEGORY	(1) MAIL PROC TOTAL UNIT COST	(2) MAIL PROC WORK- SHARING RELATED UNIT COST	(3) DELIVERY WORK- SHARING RELATED UNIT COST	(4) TOTAL WORK- SHARING RELATED UNIT COST	(5) WORK- SHARING RELATED SAVINGS
Bulk Metered Mail Letters	11.315	9.550	5.479	15.794	—
Nonautomation Presort Letters	11.570	9.620	5.479	17.049	-0.255
Bulk Metered Mail Letters	11.315	9.550	5.479	15.794	—
Automation Basic Presort Letters	5.595	4.841	4.319	9.914	5.880
Automation Basic Presort Letters	5.595	4.841	4.319	9.914	—
Automation 3-Digit Presort Letters	4.585	3.831	4.196	8.781	1.133
Automation 3-Digit Presort Letters	4.585	3.831	4.196	8.781	—
Automation 5-Digit Presort Letters	3.374	2.619	3.997	7.371	1.411
Other Sites	3.209	2.454	2.966	6.175	
CSBCS/Manual Sites	3.720	2.966	6.160	9.880	
Automation 5-Digit Presort Letters (CSBCS/Manual Sites)	3.720	2.966	6.160	9.880	—
Automation Carrier Route Presort Letters	3.105	2.547	6.059	8.764	0.717

(1) CRA Mail Processing Unit Costs:
Worksharing Proportional Cost Pools + Worksharing Fixed Cost Pools + Non-Worksharing Fixed Cost Pools
Model-Based Mail Processing Unit Costs:
(Model Cost * Worksharing Proportional Adjustment) + Worksharing Fixed Adjustment + Non-Worksharing Fixed Adjustment

(2) CRA Mail Processing Unit Costs:
Worksharing Proportional Cost Pools + Worksharing Fixed Cost Pools
Model-Based Mail Processing Unit Costs:
(Model Cost * Worksharing Proportional Adjustment) + Worksharing Fixed Adjustment

(3) USPS-T-28, Table 5

(4) (1) + (3)

(5) Benchmark (4) - Rate Category (4)

ABA+NAPM/USPS-T24-1b RESP. ATTACHMENT 2 OF 5 TO

8630

FIRST-CLASS CARDS SUMMARY
USPS LR-I-147 PRC VERSION

ABA&NAPM/USPS-T24-1B
REVISED 4/13/2000

BENCHMARK / RATE CATEGORY	(1) MAIL PROC TOTAL UNIT COST	(2) MAIL PROC WORK-SHARING RELATED UNIT COST	(3) DELIVERY WORK-SHARING RELATED UNIT COST	(4) TOTAL WORK-SHARING RELATED UNIT COST	(5) WORK-SHARING RELATED SAVINGS
Nonautomation Presort Cards	4.658	3.884	3.860	6.516	—
Nonautomation Presort Cards	4.658	3.884	3.860	6.516	—
Automation Basic Presort Cards	2.927	2.496	3.245	6.172	2.346
Automation Basic Presort Cards	2.927	2.496	3.245	6.172	—
Automation 3-Digit Presort Cards	2.409	1.978	3.179	5.588	0.584
Automation 3-Digit Presort Cards	2.409	1.978	3.179	5.588	—
Automation 5-Digit Presort Cards	1.788	1.356	3.073	4.881	0.728
Other Sites	1.703	1.271	2.526	4.229	
CSBCS/Manual Sites	1.965	1.534	4.222	6.187	
Automation 5-Digit Presort Cards (CSBCS/Manual Sites)	1.965	1.534	4.222	6.187	—
Automation Carrier Route Presort Cards	0.768	0.665	4.168	4.936	1.251

(1) **CRA Mail Processing Unit Costs:**
Worksharing Proportional Cost Pools + Worksharing Fixed Cost Pools + Non-Worksharing Fixed Cost Pools
Model-Based Mail Processing Unit Costs:
(Model Cost * Worksharing Proportional Adjustment) + Worksharing Fixed Adjustment + Non-Worksharing Fixed Adjustment
(2) **CRA Mail Processing Unit Costs:**
Worksharing Proportional Cost Pools + Worksharing Fixed Cost Pools
Model-Based Mail Processing Unit Costs:
(Model Cost * Worksharing Proportional Adjustment) + Worksharing Fixed Adjustment
(3) **USPS-T-28, Table 5**
(4) **(1) + (3)**
(5) **Benchmark (4) - Rate Category (4)**

ATTACHMENT 3 OF 5.
ABA+NAPM/USPS-T24-1B REVISED

8631

STANDARD (A) REGULAR LETTERS SUMMARY
USPS LR-I-147 PRC VERSION

ABA&NAPM/USPS-T24-1B
REVISED 4/13/2000

BENCHMARK RATE CATEGORY	(1) MAIL PROC TOTAL UNIT COST	(2) MAIL PROC WORK- SHARING RELATED UNIT COST	(3) DELIVERY WORK- SHARING RELATED UNIT COST	(4) TOTAL WORK- SHARING RELATED UNIT COST	(5) WORK- SHARING RELATED SAVINGS
Nonautomation Basic Presort Letters	12.474	9.404	5.111	17.585	—
Nonautomation 3-/5-Digit Presort Letters	10.488	7.417	5.078	15.566	2.020
Nonautomation Basic Presort Letters	12.474	9.404	5.111	17.585	—
Automation Basic Presort Letters	6.533	5.291	4.681	11.214	6.372
Nonautomation 3-/5-Digit Presort Letters	10.488	7.417	5.078	15.566	—
Automation 3-Digit Presort Letters	5.487	4.245	4.640	10.127	5.439
Automation 3-Digit Presort Letters	5.487	4.245	4.640	10.127	—
Automation 5-Digit Presort Letters	4.147	2.905	4.571	8.718	1.409

(1) **CRA Mail Processing Unit Costs:**
Worksharing Proportional Cost Pools + Worksharing Fixed Cost Pools + Non-Worksharing Fixed Cost Pools
Model-Based Mail Processing Unit Costs:
(Model Cost * Worksharing Proportional Adjustment) + Worksharing Fixed Adjustment + Non-Worksharing Fixed Adjustment

(2) **CRA Mail Processing Unit Costs:**
Worksharing Proportional Cost Pools + Worksharing Fixed Cost Pools
Model-Based Mail Processing Unit Costs:
(Model Cost * Worksharing Proportional Adjustment) + Worksharing Fixed Adjustment

(3) **USPS-T-28, Table 5**

(4) **(1) + (3)**

(5) **Benchmark (4) - Rate Category (4)**

ATTACHMENT 4 OF 5
ABA+NAPM/USPS-T24-1B REV.

8632

STANDARD (A) NONPROFIT LETTERS SUMMARY
USPS LR-I-147 PRC VERSION

ABA&NAPM/USPS-T24-1B
REVISED 4/13/2000

BENCHMARK RATE CATEGORY	(1) MAIL PROC TOTAL UNIT COST	(2) MAIL PROC WORK-SHARING RELATED UNIT COST	(3) DELIVERY WORK-SHARING RELATED UNIT COST	(4) TOTAL WORK-SHARING RELATED UNIT COST	(5) WORK-SHARING RELATED SAVINGS
Nonautomation Basic Presort Letters	8.377	6.884	4.072	12.449	---
Nonautomation 3-/5-Digit Presort Letters	6.685	5.192	4.399	11.084	1.365
Nonautomation Basic Presort Letters	8.377	6.884	4.072	12.449	---
Automation Basic Presort Letters	5.220	4.128	3.397	8.617	3.832
Nonautomation 3-/5-Digit Presort Letters	6.685	5.192	4.399	11.084	---
Automation 3-Digit Presort Letters	4.346	3.254	3.349	7.695	3.389
Automation 3-Digit Presort Letters	4.346	3.254	3.349	7.695	---
Automation 5-Digit Presort Letters	3.291	2.199	3.270	6.561	1.134

(1) CRA Mail Processing Unit Costs:
Worksharing Proportional Cost Pools + Worksharing Fixed Cost Pools + Non-Worksharing Fixed Cost Pools
Model-Based Mail Processing Unit Costs:
(Model Cost * Worksharing Proportional Adjustment) + Worksharing Fixed Adjustment + Non-Worksharing Fixed Adjustment

(2) CRA Mail Processing Unit Costs:
Worksharing Proportional Cost Pools + Worksharing Fixed Cost Pools
Model-Based Mail Processing Unit Costs:
(Model Cost * Worksharing Proportional Adjustment) + Worksharing Fixed Adjustment

(3) USPS-T-28, Table 5

(4) (1) + (3)

(5) Benchmark (4) - Rate Category (4)

ATTACHMENT 5 OF 5 T
ABA+NAPM/USPS-T24-1B REVISED

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF AMERICAN BANKERS ASSOCIATION & NATIONAL ASSOCIATION OF PRESORT MAILERS REDIRECTED FROM WITNESS MILLER

ABA&NAPM/USPS-T24-7

b. Referencing line 23 of page 4 in your testimony, has the USPS ever tried to upgrade the CRA to rate category level? Please list all information as to why the USPS has not made such an effort, or if it has, why the work was not completed.

RESPONSE:

b. No. The Postal Service has not attempted to develop a CRA by rate category. There are many rate categories for each class and subclass, so it would be a very large undertaking for both the Postal Service and mailers. Obtaining cost information by rate category from the In-Office Cost System (IOCS) and other data systems supporting the CRA would require mail pieces to be marked with the appropriate rate category. This might be difficult for many mailers. Even if mailers could provide this information, a significant modification of the data collection procedures would be required to obtain this additional information. In addition, a significant expansion of the data systems' sample size might be needed to provide statistically significant results at the rate category level.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF AMERICAN BANKERS ASSOCIATION & NATIONAL ASSOCIATION OF PRESORT MAILERS REDIRECTED FROM WITNESS MILLER

ABA&NAPM/USPS-T24-9 Assume the 25 billion pieces of First-Class letter mail now processed annually by the private sector were to be processed by the Postal Service. Assume for the analysis that all this mail is now submitted to the Postal Service with a barcode, presorted to 3 digits. Please state the total costs to the Postal Service if it, rather than the private sector, were to process this mail to a bar coded 3 digit sorted state, including specifically the following costs:

a. Extra cost of additional MLOCRs, BCSs, RBCSs and other automation machinery

b. Extra cost of facilities to house additional automation equipment

c. Extra man-hours to process the mail and cost of those man-hours

d. Other costs

RESPONSE:

a.b.c.d. In order to determine the cost (if any) required for additional processing equipment, it would first be necessary to forecast the equipment requirements. The deployment of additional letter equipment would be based on the nationwide results from an application of the Barcode Automation Model (BAM). This model would require numerous site-specific inputs pertaining to mail type, mail volume, population growth, processing windows, ZIP Codes, carrier routes, etc. The results from this exercise would take months to complete.

The facilities planning process would use the results of this exercise as an input. Each site would evaluate their space needs based on their equipment requirements. Were additional space deemed necessary, various alternatives would be evaluated (e.g., expanding the existing building, constructing a new building, etc.) The first step would be the creation of a Facility Planning Concept (FPC), followed by the completion of a Facility Planning Form (PS Form 929). Ultimately, it might be necessary to write a Decision Analysis Request (DAR) to justify the facilities expense.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF AMERICAN BANKERS ASSOCIATION & NATIONAL ASSOCIATION OF PRESORT MAILERS REDIRECTED FROM WITNESS MILLER

RESPONSE *to* ABA&NAPM/USPS-T24-9 (Continued)

In order to determine whether additional workhours were needed, it would be necessary to understand how the additional mail volume enters each plant (mail type, entry time, etc.). In addition, the equipment requirements described above would have to be determined.

Other costs, such as indirect "piggyback" costs are typically quantified as a percentage of the mail processing direct labor costs. These costs would be based on the additional workhour forecast described above.

In addition to 269 Processing and Distribution Facilities (P&DF) and Processing and Distribution Centers (P&DC), there are many Customer Service Facilities that would have to be analyzed. The completion of individual site-by-site analyses which would develop all of these inputs could not be completed before the conclusion of this docket.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF AMERICAN BANKERS ASSOCIATION & NATIONAL ASSOCIATION OF PRESORT MAILERS REDIRECTED FROM WITNESS MILLER

ABA&NAPM/USPS-T24-15 Referencing page 17, lines 18-27.

a. What percentage of BMM is directly processed and barcoded by MLOCRs, versus being processed with RCRs at remote sites?

b. What percentage of BMM mail is clean, that is typewritten addresses readable directly by MLOCRs?

c. What percentage of BMM can be directly processed and barcoded by MLOCRs?

d. What changes in MLOCR acceptance rates for BMM have occurred annually between FY96 and FY98, or FY99 if the data is available?

RESPONSE:

a.b.c.d. The Postal Service does not collect and maintain this data.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF AMERICAN BANKERS ASSOCIATION & NATIONAL ASSOCIATION OF PRESORT MAILERS REDIRECTED FROM WITNESS MILLER

ABA&NAPM/USPS-T24-22

a. Cite any data or other quantitative measurements you have of the amount and percentage of BMM entered in full trays.

RESPONSE:

a. The Postal Service does not collect and maintain this data.

Response of United States Postal Service
to
Interrogatories of American Bankers Association & National Association of Presort Mailers, Inc.
(Redirected from witness Miller, USPS-T-24)

ABA&NAPM/USPS-T24-25. For the 1995 through 1998 CRA's please describe for each year's CRA, all changes which were made in methodology from the immediately previous year's CRA, which changes affected First Class costs and Standard A Commercial costs.

Response:

Since First-Class and Standard A Commercial costs are affected by changes in every cost segment, please see the following in the current filing. For cost segment 3 changes, please see the testimonies of witnesses Bozzo, USPS-T-15, Degen, USPS-T-16, and Van-Ty-Smith, USPS-T-17. See the testimony of witness Baron, USPS-T-12, for modifications affecting both city and rural carrier costs, including portions of Cost Segments 6 (City Delivery, Office Activities), 7 (City Delivery, Street Activities), 10 (Rural Carriers), 12 (Motor Vehicle Service) and 20 (Other Accrued Expenses). Cost Segment 14 changes are discussed in the testimonies of witness Bradley in USPS-T-18 and witness Pickett in USPS-T-19. Witness Stevens, USPS-T-20, provides testimony affecting Cost Segment 12 (Motor Vehicle Service) and part of Cost Segment 20 (Vehicle Depreciation, 20.2). Witness Smith, USPS-T-21, provides testimony affecting depreciation costs for mail processing equipment in Cost Segment 20 (Equipment Depreciation, 20.1); updated mail processing equipment maintenance costs in Cost Segment 11 (Operating Equipment Maintenance, 11.2); updated mail processing equipment parts and supplies costs in Cost Segment 16 (Equipment, 16.3.2); and updates to facility-related costs affecting Cost Segments 11, 15, 16, 18 and 20. The testimony of witness Meehan in USPS-T-11 references these new studies and their respective witness and lists cost changes since Docket No. R97-1. Testimony in Docket No. R97-1 by Postal Service witness Alexandrovich addressed cost changes prior to 1997, as did the corresponding Summary Description LR-H-1.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY OF AMERICAN BANKERS ASSOCIATION & NATIONAL ASSOCIATION OF PRESORT MAILERS REDIRECTED FROM WITNESS MILLER

ABA&NAPM/USPS-T24-29 Please refer to the attached table, which reproduces the cost pools used for estimating unit mail processing costs in this case and in R97-1. The items in the four boxes are different categorizations as between the two cases.

(a) For each of the 42 cost pools which have identical labels as between the two rate cases, please define each one and state whether it entails exactly the same operations or work activity as between the two rate cases. If the operations are identical for both cases, and a detailed explanation of each cost pool has been provided in an existing reference, please provide that reference, or a citation to it if it is publicly available.

(b) Please define for R2000-1 cost pools 43 and 44, and state how they differ from cost pool 43 in R97-1.

(c) Please define for R2000-1 cost pools 45-52, and state how they differ from cost pool 46 in R97-1.

(d) For R97-1 cost pools 43-45, please explain why these categories do not appear in R2000-1.

RESPONSE:

(a) In Docket No. R97-1, MODS-Based Costing information can be found in LR-H-146. In this docket, the MODS-Based Costing information that supports the testimony of witness Van Ty Smith (USPS-T-17) can be found in LR-I-106. These library references explain how the cost pool costs are derived for BMCs, MODS facilities, and Non-MODS facilities. For the MODS facilities, these library references provide a listing of the operation numbers that are "mapped" to each cost pool. The MODS operations that are used in the field change over time. Therefore, the listings for a given cost pool are not always identical for both dockets. In addition, further descriptions of the cost pools can be found in section 3.1 of the Summary Descriptions for Docket Nos. R97-1 (USPS LR-H-1) and R2000-1 (USPS LR-I-1).

(b) See USPS-T-17, page 17, line 14 through page 18, line 20.

(c) See USPS-T-17, page 10, lines 9-16.

(d) See USPS-T-17, page 17, line 14 through page 18, line 20.

Attachment to ABA1APM/USPS-T24-29

USPS Mail Processing Cost Pools

R-2000-1			R-97-1		
Cost Pool No	Source	Cost Pool Abbreviation	Cost Pool No	Source	Cost Pool Abbreviation
1	BMCS	NMO	1	BMCs	nmo
2	BMCS	OTHR	2	BMCs	Othr
3	BMCS	PLA	3	BMCs	Pla
4	BMCS	PSM	4	BMCs	psm
5	BMCS	SPB	5	BMCs	spb
6	BMCS	SSM	6	BMCs	ssm
7	MODS	BCS/	7	mods	bcs/
8	MODS	OCR/	8	mods	ocr/
9	MODS	FSM/	9	mods	fsm/
10	MODS	LSM/	10	mods	lsm/
11	MODS	MECPARC	11	mods	mecparc
12	MODS	SPBS OTH	12	mods	spbs Oth
13	MODS	SPBSPRIO	13	mods	spbsPrio
14	MODS	1SACKS M	14	mods	1SackS_m
15	MODS	MANF	15	mods	manf
16	MODS	MANL	16	mods	manl
17	MODS	MANP	17	mods	manp
18	MODS	PRIORITY	18	mods	priority
19	MODS	LD15	19	mods	LD15
20	MODS	1BULKPR	20	mods	1Bulk pr
21	MODS	1CANCMMP	21	mods	1CancMPP
22	MODS	1OPBULK	22	mods	1OPbulk
23	MODS	1OPPREF	23	mods	1OPpref
24	MODS	1PLATFRM	24	mods	1Platfrm
25	MODS	1POUCHING	25	mods	1POUCHNG
26	MODS	1SACKS H	26	mods	1SackS_h
27	MODS	1SCAN	27	mods	1SCAN
28	MODS	BUSREPLY	28	mods	BusReply
29	MODS	EXPRESS	29	mods	express
30	MODS	MAILGRAM	30	mods	MAILGRAM
31	MODS	REGISTRY	31	mods	Registry
32	MODS	REWRAP	32	mods	REWRAP
33	MODS	1EEQMT	33	mods	1EEQMT
34	MODS	INTL	34	mods	INTL
35	MODS	LD41	35	mods	LD41
36	MODS	LD42	36	mods	LD42
37	MODS	LD43	37	mods	LD43
38	MODS	LD44	38	mods	LD44
39	MODS	LD48 EXP	39	mods	LD48 Exp
40	MODS	LD48 SSV	40	mods	LD48_SSv
41	MODS	LD49	41	mods	LD49
42	MODS	LD79	42	mods	LD79
43	MODS	1SUPP F1	[illegible]		[illegible]
44	MODS	1SUPP F4	[illegible]		[illegible]
[illegible]			[illegible]	mods	LD48 Oth
			46	Non Mods	
			47		
			48		
			49		
			50		
			51		
			52		

Source: USPS LR-1-81 & USPS LR-106 R97-1, Page II-5.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF AMERICAN BANKERS ASSOCIATION & NATIONAL ASSOCIATION OF PRESORT MAILERS REDIRECTED FROM WITNESS MILLER

ABA&NAPM/USPS-T24-30 What was the USPS's Forwarding/return cost per piece of Undeliverable As Addressed Mail in FY 1998, in FY 1999 (to the extent available), and projected in the test year in this case (Provide separately for return and for forwarding)? Please identify what components are included within such costs, including without limitation, computer forwarding systems, mail processing, transportation, and delivery for Undeliverable As Addressed Mail.

RESPONSE:

For the Base Year (FY 1998), the requested costs and available breakdowns can be found in LR-I-82, Tables 5.1.1 and 5.1.2. For the Test Year (FY 2001), the requested costs and available breakdowns can be found in LR-I-110, Tables 5.1.1 and 5.1.2.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF AMERICAN BANKERS ASSOCIATION & NATIONAL ASSOCIATION OF PRESORT MAILERS REDIRECTED FROM WITNESS MILLER

ABA&NAPM/USPS-T24-31 What was the total USPS cost of forwarding/returning Undeliverable As Addressed Mail in FY 1998, in FY 1999 (to the extent available), and projected in the test year in this case? Please breakout these figures by class of mail, and within FCLM, by rate category.

RESPONSE:

For the Base Year (FY 1998), the requested costs can be found in LR-I-82, Tables 5.1.1 and 5.1.2. For the Test Year (FY 2001), the requested costs can be found in LR-I-110, Tables 5.1.1 and 5.1.2. These costs, however, are not available by class of mail or by rate category.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF AMERICAN BANKERS ASSOCIATION & NATIONAL ASSOCIATION OF PRESORT MAILERS REDIRECTED FROM WITNESS MILLER

ABA&NAPM/USPS-T24-32 What percentage of First Class letter mail was Undeliverable As Addressed in FY 1998, in FY 1999 (to the extent available), and projected in the test year in this case? Please breakout these figures by rate category.

RESPONSE:

See the response to MMA/USPS-T24-14 (c1) and (c2). This data are not available at the rate category level.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF THE AMERICAN BANKERS ASSOCIATION AND NATIONAL ASSOCIATION OF PRESORT MAILERS

ABA&NAPM/USPS-T24-35

Please explain fully the unusual spike in unit mail processing direct labor costs (CRA, cost segment 3.1) for First Class and Standard A letter mail between FY1996 and FY1997. In particular, is the change influenced by any of the following factors?

a. *Methodological changes between the 1996 and 1997 CRA, including but not* limited to measuring volume variable (1997) as opposed to attributable (1996) direct labor costs.
b. Any settlements of labor disputes which caused a one time increase in mail processing labor costs.
c. Other factors.

Response:

a. The FY1997 CRA uses the same methodology as the FY1996 base year. The methodological change is described in the Docket No. R97-1 testimonies of witnesses Degen, USPS-T-12, and Bradley, USPS-T-14. Comparing FY1996 CRA to the FY1997 CRA is not valid due to the change in methodology.[1] Comparing the FY1996 base year costs and the FY1997 CRA reveals no "spikes" for First-Class or Standard A letters unit costs. There was, however, a significant increase in the unit costs for First-Class presort flats, which is the cause for most of the increase in the First-Class presort mail processing labor costs between FY1996 base year costs and FY1997 CRA.

b. No, the labor settlements (arbitration awards) of the mid-1990s would not be the source for a "spike." In FY 1996 the APWU and Mail Handlers

[1] A comparison of FY1996 CRA SubTotal 3.1 costs (Direct+Overhead+Fixed) with the FY1997 CRA 3.1 costs shows a decline in the volume variable costs for most of these categories.

contracts provided for a 1.2% general increase and 2 COLA payments. In FY 1997 those same agreements called for a $400 lump sum payment, no general increase and 2 COLA payments. These slight differences would not cause a spike.

c. See above.

RESPONSE OF U.S. POSTAL SERVICE
TO INTERROGATORIES OF AMERICAN BANKERS ASSOCIATION AND
NATIONAL ASSOCIATION OF PRESORT MAILERS
REDIRECTED FROM WITNESS DANIEL

ABA&NAPM/USPS-T28-40. Please refer to your response to ABA&NAPM/USPS-T28-9.a. Was the IOCS sample materially reduced before the base year in R94-1, after the start of mail processing automation in 1988?

RESPONSE:

The IOCS sample was reduced substantially in FY 1993, as discussed in Witness Steele's testimony in docket R94-1, Tr.1/53. The Data Quality Study demonstrated that a 20% reduction in the IOCS sample size has very small Impact on the CVs of unit volume variable costs (see Technical Report #3, p.79).

RESPONSE OF THE U.S. POSTAL SERVICE
TO INTERROGATORIES OF ABA&NAPM
REDIRECTED FROM WITNESS FRONK

ABA&NAPM/USPS-T33-12. What is the Postal Service's "need for continued bulk mailer participation in that automation Program" noted on page 19, lines 14-15?

(a) Is there a lack of capacity in automation equipment to handle the 45 billion pieces of First Class letter mail now processed in the private sector?

(b) Does the Postal Service envision reducing the capacity of the private sector to process First Class Mail in the future, given its statement that the value of worksharing to the Postal Service has peaked?

RESPONSE:

(a) Note that the nearly 45 billion pieces of workshared mail referred to by witness Fronk at page 34, line 3, includes all shapes of mail, not just letters. If all or part of that 45 billion pieces of workshared mail were to revert to the Postal Service for processing, the impact it would have would depend on a number of factors, including which mail processing plants would be affected. Please see the response of witness Miller to ABA&NAPM-T24-9. Clearly, if 45 billion pieces of mail were to suddenly revert to the Postal Service, it would pose capacity difficulties.

(b) The premise of this question is flawed because it mischaracterizes the testimony of witness Fronk. Witness Fronk did not assert that the value of worksharing to the Postal Service has peaked. Instead, he stated, "As I indicated earlier, if the costs presented in this docket are the beginning of a new cost trend indicating that the value of worksharing to the Postal Service has peaked, then the mailing community might anticipate smaller discounts in the future" (USPS-T-33, page 27 at lines 11-14). Also, see his response to ABA&NAPM/USPS-T33-20.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF ADVO, INC.

ADVO/USPS-2 For each of the mailer-prepared container types identified in ADVO/USPS-1, please provide the specified weight limitations.

Response:

The maximum weight of pallet is 2200 pounds as stated in DMM M041.5.5. The maximum weight of a sack is 70 pounds as stated in DMM M033.1.1. The maximum weight of a tray is not specified, but it should not and, most likely, would not exceed 70 pounds. The maximum weight for a rolling container depends on the specific container being used. Two common examples are the General Purpose Mail Container and the BMC Over-the-Road Container, which have maximum loads of 1200 pounds and 1500 pounds, respectively.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF ADVO, INC.

ADVO/USPS-3 Please provide the following information, and indicate their sources:

(a) The most recent conversion factors (pieces and/or weight) available on *all container types prepared in-house* by the USPS.

(b) Any information or estimates available on the proportion of in-house containers containing volume which are filled to capacity either by weight or by volume.

(c) The weight limitations on all container types prepared in-house by the USPS.

(d) Piece and container weight limitations for all mechanized and automated equipment.

Response:

a) See attachments for MODS and Mail Condition Reporting System conversion factors.

b) We do not track the extent to which postal or mailer prepared containers are filled to capacity.

c) The weight limitations on all container types prepared in-house by the USPS are the same as in the DMM, Section M033, (e.g., 70 lbs. for sacks and trays).

d) As stated in the DMM, the following are piece weight limitations for:

FSM 881 – 1lb.

FSM 1000 – 6 lbs.

SPBS – 20 lbs.

BMC Parcel Sorter Machine – 35 lbs. (25 lbs. for books or other printed material)

RESPONSE OF UNITED STATES POSTAL SERVICE
TO *INTERROGATORIES OF ADVO, INC.*

Automation Letters – Weight: Not more than 2.5 ozs. for Upgradable Presort First-Class and Upgradable Standard Mail.

Automation Letters – Weight: Not more than 3 ozs. for Automation First-Class Mail and Periodicals. For Automation rate Standard Mail, not more than the piece/pound breakpoint (approx. 3.3 ozs.) which varies for regular, non-profit, and Enhanced Carrier Route. See DMM C810.2.3.

MODS Conversion Rates

Source _Type	Description	New N_Rate	Old O_Rate	Type	Mail	Handling	Action
01	Machine Canceled	35.51	41.74	Machinable	Letters	FHP	+
02	Metered Prep Pref	27.88	30.43	Machinable	Letters	FHP	+
03	Metered Bypass Pref	28.25	31.2	Machinable	Letters	FHP	+
04	Metered Prep Std	22.22	22.9	Machinable	Letters	FHP	+
05	Metered Bypass Std	19.6	22.9	Machinable	Letters	FHP	+
06	Opening Unit Mixed Pref	28.55	35.42	Machinable	Letters	FHP	+
07	Opening Unit Mixed Std	18.11	19.48	Machinable	Letters	FHP	+
08	Category C- OCR Readable	1	1	Machinable	Letters	INVALID	+
09	Second Handling, Mixed, Std	18.11	19.48	Machinable	Letters	TPH	+
10	Second Handling, Mixed, Pref	28.55	35.42	Machinable	Letters	TPH	+
11	Hand Canceled	21.42	12.84	Non-Machinable	Letters	FHP	+
12	Metered Prep, Pref	21.52	19.26	Non-Machinable	Letters	FHP	+
13	Metered Bypass, Pref	15.07	15.97	Non-Machinable	Letters	FHP	+
14	Metered Prep, Std	11.61	18.3	Non-Machinable	Letters	FHP	+
15	Metered Bypass, Std	14.14	19.1	Non-Machinable	Letters	FHP	+
16	Opening Unit Mixed Pref	21.02	24.2	Non-Machinable	Letters	FHP	+
17	Opening Unit Mixed Std	13.57	15.9	Non-Machinable	Letters	FHP	+
18	Barcode A Field	1	1	Machinable	Letters	INVALID	+
19	Barcode B Field	1	1	Machinable	Letters	INVALID	+
20	Barcode C Field	1	1	Machinable	Letters	INVALID	+
21	Barcode B' Prime Field	1	1	Machinable	Letters	INVALID	+
22	Barcode C' Prime Field	1	1	Machinable	Letters	INVALID	+
23	Pre-Barcode B Field	1	1	Machinable	Letters	INVALID	+
24	Pre-Barcode C Field	1	1	Machinable	Letters	INVALID	+
	Second Handling						
25	Metered Prep/Metered Bypass Std	13.66	22.9	Non-Machinable	Letters	TPH	-
26	Pre Barcode B' Prime Field	1	1	Machinable	Letters	INVALID	+
27	Machine Rejects	35.42	35.42	Machinable	Letters	TPH	-
28	Auto/Mech Second Handling	1	1	Machinable	Letters	TPH	+
29	Riffle Mail	30.43	30.43	Non-Machinable	Letters	TPH	+
30	Pre Barcoded C'Prime Field	1	1	Machinable	Letters	INVALID	+
31	Inventory Hand Canceled	21.42	12.84	Non-Machinable	Letters	FHP	+
32	Inventory Metered Preparation, Pref	21.52	19.26	Non-Machinable	Letters	FHP	+
33	Pre Barcoded Unique 5-Digit	1	1	Machinable	Letters	INVALID	+
34	Inventory Opening Unit, Std	13.57	15.9	Non-Machinable	Letters	FHP	+
35	Inventory Second Handling, Std	13.57	15.9	Non-Machinable	Letters	TPH	+
36	Inventory Opening Unit, Mixed Pref	21.02	24.2	Non-Machinable	Letters	FHP	+
37	Inventory Second Handling, Pref	21.02	24.2	Non-Machinable	Letters	TPH	+
38	Category B - Script	1	1	Machinable	Letters	INVALID	-
39	Rework	23.72	35.42	Machinable	Letters	FHP	+
40	400 Bin	35.42	35.42	Machinable	Letters	TPH	-
41	Letters, Destination	30.98	44.2	Foreign	Letters	FHP	+
42	Letters, Origin	35.56	55.6	Foreign	Letters	FHP	+
43	Total Unique 5- digit	1	1	Machinable	Letters	INVALID	+
44	Withdraw - Foreign Origin	35.56	55.6	Foreign	Letters	TPH	-
45	Inventory Foreign Origin	35.56	55.6	Foreign	Letters	FHP	+
46	Inventory Foreign Origin	35.56	55.6	Foreign	Letters	TPH	+
47	Local Cancelations	33.19	41.74	Machinable	Letters	FHP	+
48	Console Reading	1	1	Machinable	Letters	INVALID	+
49	Carrier Bypass	1	1		Letters	INVALID	+
50	Rework Bin and Key Errors	3.57	4.33		Flats	FHP	+
51	Machine Canceled	4.72	4.91		Flats	FHP	+
52	Meter Preparation	4.18	4.22		Flats	FHP	•
53	Meter Bypass	4.49	4.22		Flats	FHP	+
54	Opening Unit, Mixes Pref	3.57	4.33		Flats	FHP	+
55	Opening Unit, Newspapers	2.78	2.22		Flats	FHP	•

56	Category A - FIM	1	1	Flats	INVALID	+
57	Inventory Mixed Pref	3.57	4.33	Flats	FHP	+
58	Inventory Mixed Pref	3.57	4.33	Flats	TPH	+
59	Inventory Newspapers	2.78	2.22	Flats	FHP	+
60	Inventory Newspapers	2.78	2.22	Flats	FHP	+
61	Inventory Flats, Origin	4.59	4.9	Flats	FHP	+
62	Inventory Foreign	4.59	4.9	Flats	FHP	+
63	Withdrawl, All Flats Second Handling	3.57	4.33	Flats	TPH	-
64	Second Handling, Mixed, Pref	3.57	4.33	Flats	TPH	+
65	Originating Std	4.83	4.91	Flats	FHP	+
66	Opening Unit, Mixed Std	4.36	4.71	Flats	FHP	+
67	Inventory, Opening Unit, Mixed Std	4.36	4.71	Flats	FHP	+
68	Console Reading (Pieces Fed)	1	1	Flats	INVALID	+
69	Carrier Bypass	1	1	Flats	INVALID	+
70	Outside Piece	1	1	Parcels	FHP	+
71	Sacks	8.79	8.79	Parcels	FHP	+
72	Hampers	39.7	39.7	Parcels	FHP	+
73	Hampers - Extended	65	65	Parcels	FHP	+
74	Inventory - Hampers	39.7	39.7	Parcels	FHP	+
75	Originating Presort, Pref	1	1	Letters	INVALID	+
76	Originating Presort, Std	1	1	Letters	INVALID	+
77	Originating Presort, Pref	1	1	Flats	INVALID	+
78	Originating Presort, Std	1	1	Flats	INVALID	+
79	Parcels for Delivery	1	1	Parcels	FHP	+
80	Machine Canceled	35.51	41.74	Letters	FHP	+
81	Metered Preparation, Pref	27.88	30.43	Letters	FHP	+
82	Metered Bypass, Pref	28.25	31.2	Letters	FHP	+
83	Metered BBM	22.22	22.9	Letters	FHP	+
84	Metered Bypass Std	19.6	22.9	Letters	FHP	+
85	Opening Unit, Pref	28.55	35.42	Letters	FHP	+
86	Opening Unit, Std	18.11	19.48	Letters	FHP	+
87	Metered Bypass Pref	15.07	15.97	Letters	FHP	+
88	Metered Bypass, Std	14.14	19.1	Letters	FHP	+
89	Opening Unit, Std	13.57	15.9	Letters	FHP	+
90	Machine Canceled	4.72	4.91	Flats	FHP	+
91	Metered Preparation	4.18	4.22	Flats	FHP	+
92	Metered Bypass	4.49	4.22	Flats	FHP	+
93	Originating, Std	4.83	4.91	Flats	FHP	+
94	AFCS-ISS Script Image Lift	1	1	Letters	INVALID	+
95	AFCS-ISS OCR Readable Image Lift	1	1	Letters	INVALID	+
96	INVALID	1	1	Letters	INVALID	+
97	INVALID	1	1	Letters	INVALID	+
98	INVALID	1	1	Letters	INVALID	+
99	Workload Unit	1	1	Workload Unit	INVALID	+

Attachment 1 ADVO/USPS-3
8 pages

UNITED STATES POSTAL SERVICE
475 L'ENFANT PLAZA SW
WASHINGTON DC 20260

April 22, 1994

MEMORANDUM FOR MANAGERS, IN-PLANT SUPPORT
PROCESSING AND DISTRIBUTION

Some time ago, it was requested that Headquarters develop a standardized list of conversion factors for the various types of mail and containers that are not covered by the Handbook M-32, Management Operating Data System. This effort resulted in a preliminary package that was sent to you in February requesting comments and suggestions.

Seven Areas responded to our request, and based on the feedback that we received, adjustments have been made to the conversion factors for bundles into SPBS trays, OTR containers and gurnies. We also made an adjustment to the number of third-class flats in a bundle. Attached you will find the conversion tables that resulted from your review.

We have provided two separate lists--the first one is by processing type and the second one is by class of mail. Both lists contain the exact same material, just sorted differently, for ease of use. The reference to a hamper is the 1046 hamper and the reference to the sack is the average sack utilized for that class of mail. In some cases the sack is the average of a combination of #1 and #2 sack or the average of a #2 or #3 sack. Again, these conversion factors are to be utilized as a supplement to the M-32 Handbook and should not be construed as a replacement. Actual counts or MODS weights should be used whenever possible.

We are requesting that all Processing & Distribution Centers and Facilities use this list starting no later than A/P 09 (April 30). Any questions that you may have regarding these conversion factors may be addressed to Bernie Opitz of my staff at (202) 268-6291.

Your continued support and cooperation in this matter is greatly appreciated.

Michele Denny

Michele Denny, Manager
Service Policies and Programs
Processing and Distribution

Attachments

cc: Mr. Jacobson
Mr. Hunter
Mr. Potter
Area Managers, Processing & Distribution

Mail Condition Reporting System (MCRS)
Conversion Rates - Not Covered by the M-32
Sorted by Processing Type

Description	*Pieces /*	*Item*
1C Letters	43	Bundle
2C Letters	23	"
3C Letters	19	"
1C Flats	18	Bundle
2C Flats	14	"
3C Flats	20	"
1C Ltr Bndls	89	U-Cart
2C Ltr Bndls	88	"
3C Ltr Bndls	96	"
1C Flt Bndls	31	U-Cart
2C Flt Bndls	35	"
3C Flt Bndls	41	"
1C Ltr Bndls	272	Hamper
2C Ltr Bndls	193	"
3C Ltr Bndls	278	"
1C Flt Bndls	118	Hamper
2C Flt Bndls	95	"
3C Flt Bndls	122	"
1C Ltr Bndls	29	SPBS Tray
2C Ltr Bndls	35	" "
3C Ltr Bndls	31	" "
1C Flt Bndls	18	SPBS Tray
2C Flt Bndls	14	" "
3C Flt Bndls	16	" "
1C SPRs	33	SPBS Tray
2C SPRs	30	" "
3C SPRs	28	" "
1C Ltr Bndls	21	Sack
2C Ltr Bndls	17	"
3C Ltr Bndls	19	"
1C Flt Bndls	11	Sack
2C Flt Bndls	8	"
3C Flt Bndls	11	"

Description	*Pieces /*	*Item*
1C Priority	74	U-Cart
1C Priority	92	Hamper
1C Priority	20	Sack
1C Priority	19	SPBS Tray
1C Ltr Bndls	90	Mixed Hamper
2C Ltr Bndls	99	" "
3C Ltr Bndls	97	" "
1C Flt Bndls	30	Mixed Hamper
2C Flt Bndls	66	" "
3C Flt Bndls	67	" "
1C SPRs	210	Mixed Hamper
2C SPRs	156	" "
3C SPRs	122	" "
1C Ltr Bndls	19	Mxd SPBS Tray
2C Ltr Bndls	33	"
3C Ltr Bndls	20	"
1C Flt Bndls	10	Mxd SPBS Tray
2C Flt Bndls	12	"
3C Flt Bndls	13	"
1C SPRs	31	Mxd SPBS Tray
2C SPRs	26	"
3C SPRs	18	"
1C Ltr Bndls	11	Mxd Sack
2C Ltr Bndls	15	" "
3C Ltr Bndls	19	" "
1C Flt Bndls	6	Mxd Sack
2C Flt Bndls	14	" "
3C Flt Bndls	12	" "
1C SPRs	30	Mxd Sack
2C SPRs	13	" "
3C SPRs	41	" "
1C Ltr Bndls	186	Mxd Wiretainer
2C Ltr Bndls	111	" "
3C Ltr Bndls	263	" "
1C Flt Bndls	106	Mxd Wiretainer
2C Flt Bndls	144	" "
3C Flt Bndls	179	" "

Description	*Pieces /*	*Item*
1C SPRs	288	Mxd Wiretainer
2C SPRs	194	" "
3C SPRs	128	" "
1C Bundles	177	Pallet
2C Bundles	168	"
3C Bundles	219	"
1C Sacks	34	Pallet
2C Sacks	40	"
3C Sacks	45	"
1C Sacks	31	Nutting Truck
2C Sacks	38	" "
3C Sacks	34	" "
1C Bundles	41	GPMC/APC
2C Bundles	84	"
3C Bundles	86	"
1C Bundles	85	OTR Container
2C Bundles	83	" "
3C Bundles	84	" "
1C Bundles	41	Gurney (1033)
2C Bundles	58	"
3C Bundles	43	"
1C Sacks	31	GPMC/APC
2C Sacks	36	"
3C Sacks	31	"
1C Sacks	50	OTR Container
2C Sacks	59	" "
3C Sacks	53	" "
1C Sacks	7	Gurney (1033)
2C Sacks	14	"
3C Sacks	11	"
1C SPRs	101	U-Cart

Mail Condition Reporting System (MCRS)
Conversion Rates - Not Covered by the M-32
Sorted by Class of Mail (First-Class)

Description	*Pieces /*	*Item*
1C Priority	74	U-Cart
1C Priority	92	Hamper
1C Priority	20	Sack
1C Priority	19	SPBS Tray
1C Letters	43	Bundle
1C Flats	18	Bundle
1C Ltr Bndls	21	Sack
1C Flt Bndls	11	Sack
1C Ltr Bndls	89	U-Cart
1C Flt Bndls	31	U-Cart
1C Ltr Bndls	272	Hamper
1C Flt Bndls	118	Hamper
1C Ltr Bndls	29	SPBS Tray
1C Flt Bndls	18	SPBS Tray
1C SPRs	33	SPBS Tray
1C Ltr Bndls	90	Mixed Hamper
1C Flt Bndls	30	Mixed Hamper
1C SPRs	210	Mixed Hamper
1C Ltr Bndls	19	Mxd SPBS Tray
1C Flt Bndls	10	Mxd SPBS Tray
1C SPRs	31	Mxd SPBS Tray
1C Ltr Bndls	11	Mxd Sack
1C Flt Bndls	6	Mxd Sack
1C SPRs	30	Mxd Sack
1C Ltr Bndls	186	Mxd Wiretainer
1C Flt Bndls	106	Mxd Wiretainer
1C SPRs	288	Mxd Wiretainer
1C Bundles	177	Pallet
1C Bundles	41	GPMC/APC
1C Bundles	85	OTR Container
1C Bundles	41	Gurney (1033)
1C Sacks	34	Pallet
1C Sacks	31	Nutting Truck
1C Sacks	31	GPMC/APC
1C Sacks	50	OTR Container
1C Sacks	7	Gurney (1033)
1C SPRs	101	U-Cart

Mail Condition Reporting System (MCRS)
Conversion Rates - Not Covered by the M-32
Sorted by Class of Mail (Second-Class)

Description	*Pieces /*	*Item*
2C Letters	23	Bundle
2C Flats	14	Bundle
2C Ltr Bndls	17	Sack
2C Flt Bndls	8	Sack
2C Ltr Bndls	88	U-Cart
2C Flt Bndls	35	U-Cart
2C Ltr Bndls	193	Hamper
2C Flt Bndls	95	Hamper
2C Ltr Bndls	35	SPBS Tray
2C Flt Bndls	14	SPBS Tray
2C SPRs	30	SPBS Tray
2C Ltr Bndls	99	Mixed Hamper
2C Flt Bndls	66	Mixed Hamper
2C SPRs	156	Mixed Hamper
2C Ltr Bndls	33	Mxd SPBS Tray
2C Flt Bndls	12	Mxd SPBS Tray
2C SPRs	26	Mxd SPBS Tray
2C Ltr Bndls	15	Mxd Sack
2C Flt Bndls	14	Mxd Sack
2C SPRs	13	Mxd Sack
2C Ltr Bndls	111	Mxd Wiretainer
2C Flt Bndls	144	Mxd Wiretainer
2C SPRs	194	Mxd Wiretainer
2C Bundles	168	Pallet
2C Bundles	84	GPMC/APC
2C Bundles	83	OTR Container
2C Bundles	58	Gurney (1033)
2C Sacks	40	Pallet
2C Sacks	38	Nutting Truck
2C Sacks	36	GPMC/APC
2C Sacks	59	OTR Container
2C Sacks	14	Gurney (1033)

Mail Condition Reporting System (MCRS)
Conversion Rates - Not Covered by the M-32
Sorted by Class of Mail (Third-Class)

Description	*Pieces /*	*Item*
3C Letters	19	Bundle
3C Flats	20	Bundle
3C Ltr Bndls	19	Sack
3C Flt Bndls	11	Sack
3C Ltr Bndls	96	U-Cart
3C Flt Bndls	41	U-Cart
3C Ltr Bndls	278	Hamper
3C Flt Bndls	122	Hamper
3C Ltr Bndls	31	SPBS Tray
3C Flt Bndls	16	SPBS Tray
3C SPRs	28	SPBS Tray
3C Ltr Bndls	97	Mixed Hamper
3C Flt Bndls	67	Mixed Hamper
3C SPRs	122	Mixed Hamper
3C Ltr Bndls	20	Mxd SPBS Tray
3C Flt Bndls	13	Mxd SPBS Tray
3C SPRs	18	Mxd SPBS Tray
3C Ltr Bndls	19	Mxd Sack
3C Flt Bndls	12	Mxd Sack
3C SPRs	41	Mxd Sack
3C Ltr Bndls	263	Mxd Wiretainer
3C Flt Bndls	179	Mxd Wiretainer
3C SPRs	128	Mxd Wiretainer
3C Bundles	219	Pallet
3C Bundles	86	GPMC/APC
3C Bundles	84	OTR Container
3C Bundles	43	Gurney (1033)
3C Sacks	45	Pallet
3C Sacks	34	Nutting Truck
3C Sacks	31	GPMC/APC
3C Sacks	53	OTR Container
3C Sacks	11	Gurney (1033)

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF ADVO, INC.

ADVO/USPS-5 Please describe any weight information that is routinely collected on mail processing operations (e.g., MODS, PIRS) and explain how it is used.

Response:

The weight information collected on mail processing operations is used to convert to pieces. Mail volume is recorded in the operations where it receives its first distribution handling, referred to as the first handling pieces (FHP) count. A first handling piece, whether letter, flat, or parcel, represents the number of pieces of mail received for initial distribution in a facility. FHP is an indicator of the processing and distribution workload of the facility. First handling pieces are determined either by machine meter counts or by national conversion rates. See attachments to ADVO/USPS-3(a).

To determine FHP, multiply the number of pounds of mail weighed to the operation by a standard national conversion rate of the number of pieces per pound of mail.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF ADVO, INC.

ADVO/USPS-6. Please describe any weight information that is routinely collected on city delivery carrier operations and explain how it is used.

RESPONSE:

No such data are routinely collected.

Response of United States Postal Service
To Interrogatories of ADVO

ADVO/USPS-8. In Docket R97-1, witness Degen (USPS-T-12) indicated that workload measures for Allied Operations were being collected. Please provide the following:

a. Identification of each type of "allied operation" for which data were being collected

b. A description of the workload measures that were being collected for each type of "allied operation".

c. An explanation of the status of that data collection,

ADVO/USPS–8 Response.

a. Data (not otherwise collected routinely by the Postal Service) were collected for the MODS Platform cost pool as part of a special study performed by Christensen Associates (note that this is a separate study from that documented in USPS-LR-I-115). Additionally, data (from existing Postal Service data systems) to augment that employed by witness Bradley in Docket No. R97-1, USPS-T-14 were compiled for the MODS Platform, Opening ("Pref" and Bulk Business Mail) and Pouching cost pools.

b. See USPS-T-15 at page 138 and witness Bozzo's response to MPA/USPS-T-15-1.

c. The data collection for the special study pertaining to the MODS Platform cost pool, described in the response to part (a), has been completed.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF ADVO, INC. REDIRECTED FROM WITNESS HARAHUSH

ADVO/USPS-T3-5. With respect to Cluster Box (NDCBU) and Centralized Deliveries, can these two types be distinguished by the fact that NDCBUs are always outside and Centralized Deliveries are always inside? If not, please explain and provide examples.

RESPONSE:

No.

NDCBU deliveries are served through Neighborhood Delivery and Collection Box Units only. Other Centralized Delivery includes deliveries made to other centralized delivery equipment (i. e. apartment house receptacles, delivery centers, or mailroom receptacles). Generally, this category pertains to any mail receiving unit where the carrier has access to more than one individual's receptacle by opening only the door or a single Arrow lock.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF ADVO, INC. REDIRECTED FROM WITNESS HARAHUSH

ADVO/USPS-T3-6. In response to MPA/USPS-T12-32, witness Raymond uses the term "dismount delivery." Please provide the following information on dismount deliveries:

(a) A definition of "dismount" delivery and an explanation of why deliveries are made as "dismounts" rather than some other way (e.g., curbline or park & loop).

(b) Can there be more than one "dismount" delivery at a vehicle stop?

(c) When the carrier's vehicle stops at a building, where several offices or residences are being served individually, are those "dismount," "park & loop," or some other type of deliveries? Please explain how these types of deliveries are distinguished by the USPS, and provide examples.

(d) When the carrier's vehicle stops at a building where there may be a centralized delivery point, is that a dismount or a central delivery type? Please explain how dismount and motorized central deliveries are distinguished by the USPS, and provide examples.

(e) When a carrier's vehicle stops at a centralized outside receptacle for delivery and the carrier must get out of the vehicle to make the deliveries, are those deliveries dismount, centralized, or something else? Please explain how they are distinguished by USPS, and provide examples.

(f) Are there routine curbline deliveries that are customer drops? Please explain. If so, how do they differ from dismount deliveries?

RESPONSE:

Witness Raymond's dataset includes delivery types that were classified particularly for the study's purpose. The term dismount delivery includes references to both the type of delivery (foot route, Curbline, Park & Loop, Dismount, and Other) and the mode of delivery (Curb, NDCBU, Other Centralized, and Other).

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF ADVO, INC. REDIRECTED FROM WITNESS HARAHUSH

ADVO/USPS-T3-7. Are foot and park & loop deliveries both inside and outside? Please explain and provide examples.

RESPONSE:

Both foot and park & loop deliveries can be either inside and outside.

A foot route may include deliveries made to businesses both inside and outside a shopping center.

A park & loop route might include deliveries in a strip mall where the carrier makes deliveries both inside and outside.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF ADVO, INC. REDIRECTED FROM WITNESS HARAHUSH

ADVO/USPS-T3-8. Can a carrier deliver to an NDCBU from within his vehicle or does he have to park and dismount? Please explain and provide examples.

RESPONSE:

A carrier can deliver to an NDCBU from inside his vehicle (NDCBU on curb with its rear facing the street) or outside his vehicle (NDCBU on curb with its front facing the street).

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF ADVO, INC. REDIRECTED FROM WITNESS HARAHUSH

ADVO/USPS-T3-9. In response to MPA/USPS-T12-34, witness Raymond states that a Centralized Delivery unit is opened via a Postal owned lock and mail is deposited into individual customer compartments.

(a) Are gang boxes or groupings of individual receptacles considered centralized deliveries? Please explain, and provide examples.

(b) Are there any types of centralized delivery units where mail can be delivered without unlocking it (i.e., through 1- or 2- handed slots)?

RESPONSE:

(a) Generally, central delivery pertains to any mail receiving unit where the carrier has access to more than one individual customer's receptacle by opening only one door or a single Arrow lock.

(b) No. However, it must be recognized that in units such as VIM rooms and apartment buildings a key may not unlock the delivery equipment, rather the key unlocks a room giving the carrier access to the delivery equipment.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF ADVO, INC. REDIRECTED FROM WITNESS DANIEL

ADVO/USPS-T28-5. Referring to LR I-173, please provide a comparison in tabular form of the shape definitions used by the DMM (Domestic Mail Manual), NCM (National Count of Mail), old RCCS (Rural Carrier Cost System), and new RCCS (LRCA).

RESPONSE:

The shape dimensions used by the DMM, NCM, and RCCS (old and new methodologies) are given below. It should be noted that the shape definitions differ because the DMM definitions are related to how the mail is processed whereas the rural definitions are related to what workload is required of rural carriers.

DMM Mail Piece Dimensions

	Dimension	Minimum	Maximum
Letter	Height	3 ½"	6 1/8"
	Length	5"	11 ½"
	Thickness	0.007"	¼"
Flat	Height	6 1/8"	12"
	Length	11 ½"	15"
	Thickness	¼"	¾"
Parcel*	Height	3"	17"
	Length	6"	34"
	Thickness	¼"	17"
	Weight	6 – 8 ounces	35 lbs.

*Dimensions given are for machinable parcels. Irregular parcels are those mail pieces that do not meet dimensions given here. Outside (nonmachinable) parcels are those mail pieces that exceed the dimensions of machinable parcels.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF ADVO, INC. REDIRECTED FROM WITNESS DANIEL

Rural Mail Piece Dimensions

		NCM		RCCS[1]	
	Dimension	Minimum	Maximum	Minimum	Maximum
Letter	Height:				
	Non-DPS[2]	3 ½"	5"	3 ½"	5"
	DPS	3 ½"	6 1/8"	3 ½"	6 1/8"
	Length	5"	Whatever fits in case separation	5"	11 ½"
	Thickness	0.007"	3/8"[3]	0.007"	¼"
Flat	Height:				
	Non-DPS	5"	Whatever fits	5"	12"
	DPS	6 1/8"	in case	6 1/8"	12"
	Length	5"	separation	5"	15"
	Thickness	3/8"	1 9/16"	¼"	¾"
Parcel[5]	Height	Exceed one	See DMM	Exceed	See DMM
	Length	of the flat-	rules	one of the	rules
	Thickness	size maximums		flat-size maximums	
	Weight				

[1]Letter height maximum dimension under the "old methodology" was based on whether the route being sampled was a non-DPS or DPS route. Under this methodology sample mail pieces were selected after the carrier cased the mail. Letter width maximum dimension under the "new methodology" is based on whether the mail piece being sampled is from the non-DPS or DPS mail stream. Sampling methodology was changed from the old method to allow identification of mail from the DPS mail stream. In particular, sample mail pieces are selected before the carrier cases the mail, so that mail from the DPS mail stream is easily identified.

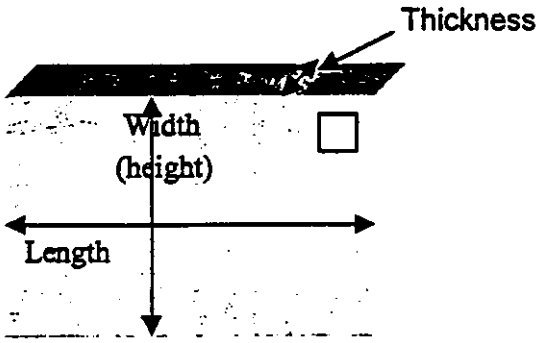
[2]DPS means Delivery Point Sequence.

[3]Applies only to small magazines and small catalogs. Letter-size mail is whatever fits

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF ADVO, INC. REDIRECTED FROM WITNESS DANIEL

in the case separation being used regardless of thickness.

[5]Other criteria that distinguish flats and parcels in the NCM include rigidity, bendability, and the ability to fit the mailpiece into the flat case separation. For example, any nonrigid article that does not fit in the letter or flat separation with other mail is considered a parcel.



RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF ADVO, INC. REDIRECTED FROM WITNESS DANIEL

ADVO/USPS-T28-7. Please refer to Table 1 in LR I-173. Are the volumes by shape in that table defined (as much as possible) under the National Count of Mail rules rather than the Domestic Mail Manual rules? Please explain.

RESPONSE:

In Table 1 in LR I-173, the volumes by shape in the main middle column (with column heading "RCCS Results") were the result of shape definitions made by Data Collection Technicians at sample sites. Shapes were supposed to be defined by the "old" RCCS methodology, although observation of the data collection procedures indicated that these shape definitions were not uniformly applied across sample sites. The volumes by shape in the right-hand main column (with column heading "LRCA Results") were the result of data collected by LRCA personnel using the "new" RCCS methodology. See response to interrogatory ADVO/USPS-T28-5 for the shape definitions for the "old" and "new" RCCS methodology.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF
MAGAZINE PUBLISHERS OF AMERICA,INC.

ANM/USPS-1. Please refer to the first sentence of the Postal Service's answer to ANM/USPS-T2-18. Does the Postal Service plan to spend any money, whether categorized in its budget as R&D or something else, on developing new systems to track and develop mail processing costs in the approaching automation environment? If so, please state the expected amounts by year.

RESPONSE.

The Postal Service is spending approximately $ 1.5 – 2.0 million per year developing an activity-based costing system to track mail processing costs for local cost management. At this time, it is unclear how or if the data from this system will be used in the regulatory pricing framework.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF
MAGAZINE PUBLISHERS OF AMERICA,INC.

ANM/USPS-1 [sic]. Please refer to the second sentence of the Postal Service's answer to ANM/USPS-T2-18. Please state, in dollar amounts, the Postal Service's current level of funding for "maintaining and improving our data systems."

RESPONSE.

The Postal Service currently spends approximately $90 million per year to collect ratemaking data and maintain and improve the ratemaking data systems.

ALLIANCE OF NONPROFIT MAILERS INTERROGATORIES TO UNITED STATES POSTAL SERVICE

ANM/USPS-3. For each vintage of each type of (1) motor vehicle and (2) mail processing equipment or related equipment that the Postal Service has used in any year since Fiscal Year 1998, please produce:

(a) All "fixed asset records" with information on that vintage and type of equipment (see, e.g., 2 Tr. 469-71).

(b) Any other accounting records needed to needed to determine the "date of purchase, the cost, annual depreciation, accumulated depreciation, et cetera" for that type of equipment (see 2 Tr. 469-69 (Tayman)).

(c) Any other accounting records needed to determine the year-by-year retirements of that vintage and type of equipment (see 2 Tr. 469 (Tayman)).

(d) Any other accounting records needed to determine "the actual service life of any vintage of equipment by type" (see 2 Tr. 469).

(e) Any other accounting records needed to determine a survivor curve for each vintage of each type of equipment, based on actual retirements since the equipment first entered service.

(f) Any other accounting records needed to "know how long these assets actually last in service" (see 2 Tr. 468).

(g) Any other accounting records that provide a "reality check on the assumed asset lives" (see id.).

(h) All "USPS records on use of same or similar assets" (see response of USPS witness Tayman to ANM/USPS-T9-7f (third bullet) (reproduced at 2 Tr. 120)).

RESPONSE:

1. (a) – (h) Library Reference I-308, Material Provided in Response to ANM/USPS-3, Motor Vehicle Reports, provides the requested information. This Library Reference provides the following four attachments. Please note

ALLIANCE OF NONPROFIT MAILERS INTERROGATORIES TO UNITED STATES POSTAL SERVICE

RESPONSE: continued

that information of dispositions was only available from Fiscal Year 1995 forward.

Attachment I – Summary listing of vehicles on hand as of AP 7, FY 2000 by Fiscal Year of acquisition.

Attachment II – Summary listing of vehicles on hand as of AP 7, FY 2000 by make and model.

Attachment III – Summary listing of disposed vehicles as of AP 7, FY 2000 by fiscal year of disposal.

Attachment IV – Summary listing of disposed vehicles as of AP 7, FY 2000 by fiscal year of disposal and make and model.

2. (a) – (h) Library Reference I-309, Material Provided in Response to ANM/USPS-3, Personal Property Reports, provides the requested information in four separate listings. These are:

- "Summary Listing of Personal Property on Hand as of the End of FY 1999 by Year of Acquisition" (pages 1 – 145).
- "Summary Listing of Personal Property on Hand as of the End of FY 1999 by Property Code Number" (pages 1 – 180).
- "Listing of All "G" Activity Disposals in FY 1997 - 1999 Summary Totals by Property Code Number (PCN), Year of Acquisition (YR ACQ)" (pages 1 - 76).

ALLIANCE OF NONPROFIT MAILERS INTERROGATORIES TO UNITED STATES POSTAL SERVICE

RESPONSE: continued

- "Listing of All "G" Activity Disposals in FY 1997 -1999 Summary Totals by Year of Acquisition (YR ACQ), Property Code Number (PCN)" (pages 1 - 64).

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS
REDIRECTED FROM WITNESS RAMAGE

ANM/USPS-T2-18. During the years FY 1998-2001, how much has the Postal Service programmed to spend on research and development for new systems to track and develop mail processing costs in the approaching automation environment?

RESPONSE:

There is no research and development budget for the Postal Service's regulatory data systems. We plan to maintain and improve our data systems with the current level of funding.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS
(REDIRECTED FROM WITNESS RAMAGE)

ANM/USPS-T2-20. Please refer to ANM/USPS-T2-3. Your response is "I have not studied the matter." Please redirect the question to someone who has.

RESPONSE:

The AFSM 100 is more productive than the FSM 881 which it will be replacing, so it will require fewer employees to process the same volume of mail. However, the time required to prepare the same volume of mail for AFSM 100 processing is uncertain at this time, but allied labor is currently expected to have little change in its proportions of mixed mail or not handling readings.

The proportion of not-handling observations or the proportion of mixed mail observations for employees operating the AFSM 100 should not change materially. If the sampled employee is operating a piece-handling machine (with mail present) and the employee is not handling mail, then the data collector selects the nearest piece of mail from the machine and records its characteristics. This policy applies to a variety of piece sorting machines and will apply to the AFSM 100s just as it currently does for the FSMs. The selection of a single piece of mail from the machine results in "direct mail" as opposed to either "mixed mail" or a "not handling" observations. See USPS-LR-I-14, page 11-35.

Data collection procedures for IOCS sampled clerks keying images at the AFSM 100s are not yet finalized, but may result in a high proportion of direct mail observations. At this point in time, it is not clear whether the overall proportion of "mixed mail" or "not handling" observations from AFSM 100s will increase as compared to the FSM 881s.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS
(REDIRECTED FROM WITNESS RAMAGE)

ANM/USPS-T2-21. Please refer to ANM/USPS-T2-4. Your response is "I have not studied the matter." Please redirect the question to someone who has.

RESPONSE:

The deployment of robotics and TMS will be associated with a decrease in the number of clerks and mailhandlers in the affected facilities. These systems will decrease the amount of clerk/mailhandler time spent moving empty equipment, the amount of "not handling" time, the time handling single trays of mail, and the direct mail handling time.

The greatest implication for IOCS is that for a given level of volume, there would be less in-office labor cost due to the presence of fewer sampled employees. This should be associated with decreases in IOCS cost estimates of direct mail, handling mail, mixed mail, moving empty equipment, and most other clerk/mailhandler costs. With the intention of reducing both the numerator and the denominator in ratios such as "the percentage of not-handling" or "the percentage of mixed mail" costs, it is not clear whether these ratios will increase or decrease.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS
(REDIRECTED FROM WITNESS RAMAGE)

ANM/USPS-T2-22. Please refer to ANM/USPS-T2-9(c) and (e). Your response to each part is "I have not studied the relationship between the proportion of mixed mail observations and CVs." Please redirect the questions to a Postal Service witness who can answer them, or to the Postal Service itself.

RESPONSE:

The Postal Service has not studied the relationship between the proportion of mixed mail and CVs or the relationship between not handling tallies and CVs.

Response of United States Postal Service
to
Interrogatories of Alliance of Nonprofit Mailers
(Redirected from witness Meehan, USPS-T-11)

ANM/USPS-T11-1 Please refer to Exhibit USPS-11C of your testimony, which presents the Cost and Revenue Analysis for Base Year 1998. Please provide the 95 percent confidence intervals for the 1998 volume variable costs for all subclasses. If these confidence intervals are unavailable, please explain in detail why this is so. If the confidence intervals are unavailable, please further provide for all subclasses the 95 percent confidence intervals for all cost segments making up volume variable costs for which confidence intervals are available.

Response:

Confidence intervals for 1998 volume variable costs, in aggregate, are not available. They have not been developed because of the major effort and expense involved. As part of the Data Quality Study, jointly sponsored by the USPS, PRC and GAO, coefficients of variation (CV), which can be used to develop confidence intervals of 1996 unit volume variable costs were computed for eight subclasses. Twenty-nine cost pools were included in the simulation model used to develop those CVs; those cost pools accounted for approximately 56% of the total volume variable costs. Those CVs may provide a reasonable indication of the reliability of the unit volume variable cost estimates in 1998, to the extent that the underlying data systems and costing methodologies have remained the same. Confidence intervals for major cost segments/components are contained in the testimonies of witnesses Xie, Harahush and Ramage, and for revenues and volumes in the testimony of witnesses Pafford and Hunter.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF THE ALLIANCE OF NONPROFIT MAILERS REDIRECTED FROM WITNESS SMITH

ANM/USPS-T21-13. How many plant and distribution centers ("P&DCs") did the Postal Service have in FY 1998?

Response:

At the present time the Postal Service has 180 processing and distribution centers ("P & DCs"). In addition, there are 88 processing and distribution facilities ("P & DFs"). See also the response to DFC/USPS-47b for a list of the these facilities.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF THE ALLIANCE OF NONPROFIT MAILERS REDIRECTED FROM WITNESS SMITH

ANM/USPS-T2I-14. Of the total number of P&DCs which the Postal Service had in FY 1998, (i) how many had separate, unattached warehouse space for offloading and temporarily holding mail until the P&DC was ready to process the mail, and (ii) how many regularly used trailers or vans to store mail until the plant was ready to process the mail? If you do not have precise data, provide the best information or estimate available.

Response:

(i) The Postal Service is aware of no data on the use of unattached warehouse space for offloading and temporarily holding mail. It is believed that such occurrences, if they happen at all, are very rare.

(ii) Your definition of "regularly" is unclear. For the purpose of this response, "regularly" shall be defined as 100 or more days per year. Available data shows that in FY 98, only 3 P&DCs had one or more delayed vans on 100 or more days. A delayed van is a van that was on hand for over 24 hours without being unloaded.

If one defines "regularly" to be 50 or more days per year, then in FY98, there were 7 P&DCs (including the 3 with 100 or more days) which had one or more delayed vans on 50 or more days.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORY OF ALLIANCE OF NONPROFIT MAILERS REDIRECTED FROM WITNESS MOELLER

ANM/USPS-T35-4. In the Postal Service's view, what characteristics of nonprofit ECR Standard (A) mail have caused its unit costs to increase faster than those of commercial ECR Standard (A) mail from the base year in Docket No. R97-1 to the base year in Docket No. R2000-1 (FY 1998)? Produce all studies, analyses and similar documents that support your answer.

RESPONSE:

See USPS LR-I-217.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORY OF ALLIANCE OF NONPROFIT MAILERS REDIRECTED FROM WITNESS MOELLER

ANM/USPS-T35-5. Please identify each characteristic of nonprofit ECR Standard (A) mail that the Postal Service has studied, investigated or analyzed since Docket No. R97-1 as a possible cause of the relatively rapid cost increases attributed to the subclass by the Postal Service in this docket. Produce all documents relating to each such study, investigation or analysis.

RESPONSE:

The Postal Service has not performed definitive analyses of the subjects described in this interrogatory; however, information regarding trends in costs is provided in USPS LR-I-217.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORY OF ALLIANCE OF NONPROFIT MAILERS REDIRECTED FROM WITNESS MOELLER

ANM/USPS-T35-6. Please produce all memoranda, correspondence or other communications created by in-house or outside economists or cost analysts for Postal Service headquarters since July 1, 1998, concerning possible causes of the relatively rapid cost increases attributed to nonprofit ECR Standard (A) mail by the Postal Service's costing systems.

RESPONSE:

See USPS LR-I-217.

RESPONSE OF UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS,
REDIRECTED FROM WITNESS TAUFIQUE

ANM/USPS-T38-5. Please identify each characteristic of nonprofit Periodicals mail that the Postal Service has studied, investigated or analyzed since Docket No. R97-1 as a possible cause of the relatively rapid cost increases attributed to the subclass. Produce all documents relating to each such study, investigation or analysis.

RESPONSE:

The Postal Service has not performed any definitive analyses of the subjects described in the interrogatory; however, information regarding trends in Periodicals costs is provided in USPS-LR-I-217 and USPS-LR-I-193.

RESPONSE OF UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS,
REDIRECTED FROM WITNESS TAUFIQUE

ANM/USPS-T38-6. Please produce all memoranda, correspondence or other communications created by in-house or outside economists, cost analysts or consultants for Postal Service headquarters since July 1, 1998, concerning possible causes of the relatively rapid cost increases attributed to nonprofit Periodicals mail by the Postal Service's costing systems.

RESPONSE:

See USPS-LR-I-217 and USPS-LR-I-193.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORY OF THE ASSOCIATION OF PRIORIY MAIL USERS
(REDIRECTED FROM WITNESS ROBINSON, USPS-T-34)

APMU/USPS-T34-1 Under the contract currently in effect between the Postal Service and the commercial airlines:

a. What is the non-distance-related per-pound terminal handling fee?
b. What is the distance-related per-pound per-mile fee?
c. What fuel surcharge (if any) does the Postal Service pay?
d. When did the current contract begin and when does the contract expire? If the contract will expire prior to the end of TY 2001, what estimated rate(s) did you and the roll-forward model use?

RESPONSE

a. The current terminal handling rate is $0.20948519 per pound.

b. The current linehaul rate is $0.00008815 per pound mile.

c. The Postal Service does not pay a fuel surcharge, *per se*. A portion of the linehaul rate is indexed (i.e., adjusted up or down) on a quarterly basis for changes in fuel prices. The linehaul charge on February 26, 2000 was composed of two components, a fuel component of $0.00002713, and a non-fuel component of $0.00006102. At the start of the contract on 9/12/98, the fuel component was $0.00001843. The difference $0.00000870 is the net fuel adjustment since the start of the contract.

d. The contract began on September 12, 1998. It will terminate on September 8, 2000. Base Year 1998 Domestic Air (Component 142) costs are rolled-forward to Test Year 2001 using the DRI Air Freight index as a cost level factor. See USPS-LR-I-127, Chapter IX, Non-personnel Cost Level Factors.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORY OF THE ASSOCIATION OF PRIORITY MAIL USERS
(REDIRECTED FROM WITNESS ROBINSON, USPS-T-34)

APMU/USPS-T34-3 Other than air transportation provided under the terms of the PMPC contract, does the Postal Service pay Emery separately for any air transportation provided by Emery? If so, please explain fully and state how much.

RESPONSE

Yes. Emery provides dedicated air service under contract to the Postal Service in four different operations. Emery is the contractor responsible for the aviation part of Eagle operations under the ANET contract. Emery provides dedicated air transportation using Eagle and non-Eagle planes as part of daytime dedicated air operations. During the Christmas season, Emery provides dedicated air transportation as part of the Postal Service's seasonal air transportation operations. Finally, Emery is an ASYS contractor, providing air service at system contract rates.

The following table summarizes Emery-related air expenses by operation and account.

Attachment to Postal Service Response to APMU-T34-3, (Redirected from Witness Robinson, USPS-T-34)

Air System Contract Accounts	
53501	$ 9,047,478.61
53503	$ 51,929.06
53511	$ 17,196,211.26
53513	$ 145,690.04
53595	$ 2,470,846.90
53591 and 53593	$ (95,575.56)
Subtotal	$ 28,816,580.31
Intermodal/Customer Perfect Accounts	
53521	$ 1,663,606.80
53523	$ 540,533.62
53525	$ 753,951.32
53527	$ 155,090.00
53529	$ 3,360,929.88
53531	$ 738,387.00
Subtotal	$ 7,212,498.62
Network Air Accounts	
53541	$ 105,620,712.00
53543	$ 27,951,675.75
53547	$ 29,930,857.67
Subtotal	$ 163,503,245.42
Christnas-related Accounts	
53542	$ 21,423,681.27
53544	$ 3,468,918.48
53552	$ 1,317,458.58
53554	$ 3,300.00
Subtotal	$ 26,213,358.33
Western Network	
53545	$ 203,800.79
Subtotal	$ 203,800.79
Total	$ 225,949,483.47

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF THE ASSOCIATION OF PRIORITY MAIL USERS
REDIRECTED FROM WITNESS ROBINSON

APMU/USPS-T34-8.

a. Testimony of witness Tayman (USPS-T-9), at page 9, Table 7, provides EXFC quarterly performance data for First-Class Mail having overnight, 2-day and 3-day delivery standards. For PQ 01 FY 1998 through PQ 04 FY 1999, please provide available EXFC data on the tail of the distribution separately for First-Class Mail with (i) an overnight delivery standard, (ii) a 2-day delivery standard, and (iii) a 3-day delivery standard. For example, for First-Class Mail that failed to meet its delivery standard, how many days elapsed before it actually arrived?

b. For Base Year 1998, please provide quarterly performance data for Priority Mail as developed from the independent PETE system.

c. Please provide available data on the tail of the distribution for Priority Mail with (i) an overnight delivery standard, (ii) a 2-day delivery standard, and (iii) a 3-day delivery standard. For example, for Priority Mail that failed to meet its delivery standard, how many days elapsed before it actually arrived?

RESPONSE:

(b)

Priority End-to End (PETE)

		Service Commitment	
		Overnight	2-Day
FY	PQ	% On Time	% On Time
1998	01	84.85	69.50
1998	02	82.73	60.77
1998	03	88.16	75.86
1998	04	91.26	82.88

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF THE ASSOCIATION OF PRIORITY MAIL USERS
REDIRECTED FROM WITNESS ROBINSON

APMU/USPS-T34-9.

a. Using all performance data in the possession of the Postal Service, please provide all available evidence which indicates that delivery performance of Priority Mail exceeds the delivery performance of First-Class Mail.

b. Using all performance data possessed by the Postal Service, please provide all available evidence that delivery performance of First-Class Mail exceeds the delivery performance of Priority Mail.

RESPONSE:

(a) - (b) See USPS-T-9 at 9, Table 7 and responses to APMU/USPS-T34-8(b),

DFC/USPS-T34-8.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORY OF THE ASSOCIATION OF PRIORITY MAIL USERS
(REDIRECTED FROM WITNESS ROBINSON, USPS-T-34)

APMU/USPS-T34-20.
Please provide as a library reference the contract(s) with commercial air carriers now in effect.

RESPONSE

The Air System contract will be provided in USPS Library Reference I-228.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORY OF THE ASSOCIATION OF PRIORITY MAIL USERS
(REDIRECTED FROM WITNESS ROBINSON, USPS-T-34)

APMU/USPS-T34-26.

a. What is the per-pound terminal handling charge and the per-pound/mile charge for Priority Mail currently paid for

(i) air taxis,
(ii) intra-Alaska commercial air,
(iii) intra-Alaska air to the Bush, and
(iv) any other air operators (other than regular commercial airlines) used by the Postal Service to transport Priority Mail?

b. Do any existing contracts with any of the above expire prior to the end of Test Year? If so, please stipulate the contract and date.

c. Please identify any constraints on Postal Service procurement of air transportation services in Alaska imposed by law.

RESPONSE

a.(i) Objection filed on March 13, 2000.

a. (ii) The Postal Service assumes by commercial air that you are referring to mainline intra Alaska air service. The mainline rates promulgated by the U.S. Department of Transportation in effect as of March 8, 2000 are:

Priority Linehaul: $1.5126 per ton-mile or $0.0007563 per pound mile

Non-priority Linehaul: $0..9517 per ton-mile or $0.0047585 per pound mile

Priority Terminal Handling: $0.2519 per pound

Non-priority Terminal Handling: $0.2165 per pound

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORY OF THE ASSOCIATION OF PRIORITY MAIL USERS
(REDIRECTED FROM WITNESS ROBINSON, USPS-T-34)

Linehaul rates are subject to a quarterly fuel adjustment. The next adjustment is expected sometime in March 2000.

a. (iii) The DOT bush rates for intra-Alaska Service are:

Linehaul: $9.9746 per ton-mile or $0.0049873 per pound-mile

Terminal Handling: $$0.3591 per pound.

a.(iv) Objection filed on March 13, 2000.

b.(i) Objection filed on March 13, 2000.

b.(ii) The mainline linehaul DOT rates are the combination of a base rate and a fuel adjustment. The base rates will stay in effect until September 30, 2000. The fuel adjustment is quarterly, with one expected in March 2000.

b.(iii) The DOT bush rates expire on April 1, 2000. The DOT is currently reviewing proposed rates which have not been finalized.

b.(iv) Objection filed on March 13, 2000.

c. Without purporting to represent any definitive interpretation of the relevant statutory provisions, the Postal Service can provide the following general information. The Postal Service is required to use the Alaska carriers selected by DOT and pay them the rates established by DOT. The Postal Service can only contract when the service provided by the DOT-regulated carriers is insufficient to meet

the needs of the Postal Service. This is usually preceded by the Postal Service contacting individual carriers and asking them to change or add service. If they cannot provide what the Postal Service needs, the Postal Service can contract for air taxi service. The Postal Service has the option to use contract surface transportation; however, this option is limited by such factors as the scarcity of roads.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF THE ASSOCIATION OF PRIORITY MAIL USERS
REDIRECTED FROM WITNESS MAYO

APMU/USPS-T39-1. Please refer to your testimony at page 57, ll. 4-6, where you state that delivery confirmation data "provide an additional management diagnostic tool in assessing parcel delivery and areas for improvement."

b. What corrective action, if any, has management taken in response to delivery confirmation data?

c. Does management use PETE or Priority Mail ODIS data as a diagnostic tool? If so, what corrective action, if any, has management taken in response to these data?

d. Do delivery confirmation data ever conflict with PETE or Priority Mail ODIS data? If so, what weight is placed on the respective data?

e. Are delivery confirmation data used to monitor Emery's performance under the PMPC contract?

RESPONSE:

b.-c. Delivery confirmation data, ODIS data and PETE data are available to Headquarters and Field operations management. These data provide valuable feedback to management and may be used to identify areas where operational problems exist and corrective action should be undertaken. For example, PETE scores are used to determine whether the "Voice of the Customer" goals under the Postal Service's EVA Variable Pay Program are attained. While specific actions are not necessarily mandated in response to reported PETE scores, the EVA program provides incentives to management to use this data to identify potential operational problems and to identify appropriate corrective action that will result in improved service for customers.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF THE ASSOCIATION OF PRIORITY MAIL USERS
REDIRECTED FROM WITNESS MAYO

d. The Postal Service has not undertaken a formal comparison of the data from the PETE, ODIS and delivery confirmation systems.

e. Delivery Confirmation data are not used to monitor Emery's performance under the PMPC contract.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF CRPA REDIRECTED FROM WITNESS TOLLEY

CRPA/USPS-T6-16

In your response to CRPA/USPS-T-1, you were unable to completely answer CRPA's request that you provide evidence that "the Postal Service's implementation of its 'expeditious treatment' (a) compares favorably with its own service standards pertaining to the delivery of Periodicals-class mail, and (b) compares favorably with the delivery of Standard A mail.".

. . .

(d) If you do not have any information about the actual achievement of service goals for periodicals by the Postal Service, please identify a witness who can provide this information, and who will produce the information, or refer the interrogatory to the Postal Service for an institutional response and provision of the requested data.

RESPONSE:

. . .

(d) No data exist which would reveal the extent to which Periodicals class mail is delivered within applicable service standards.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF COALITION OF RELIGIOUS PRESS ASSOC.
(REDIRECTED FROM WITNESS THRESS)**

CRAP/USPS-T7-2.

(b) Does the Cost and Revenue Analysis Report for the Base Year show a difference in cost per piece between a nonprofit periodical and a regular rate periodical?

(c) Provide the same information provided in (b) above for each year from 1999 through the Test Year.

RESPONSE:

(b) Yes.

(c) Yes.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF DAVID B. POPKIN

DBP/USPS-3.

a) Confirm that the Postal Service has a manual and automated system for processing First-Class Mail.

b) Explain the types of mail that are handled in each of the systems.

c) What are the average costs per 1000 letters for handling in each of the systems?

d) Does the Postal Service make any effort on a regional (as small as a single P&DC area) or on a national basis to remove Certified Mail articles (prior to arrival at the delivery office) from an automated system to a manual system.

e) Confirm that the PS Form 3800 has a tagging applied to the sticker that is affixed to the article.

f) What purpose does this tagging serve?

g) Confirm that in order for the Postal Service to properly provide the Certified Mail service, it is necessary for the article to either arrive at the delivery office separated from the normal mail stream or for the delivery office to perform such separation.

h) Describe the various methods that are utilized to perform this separation (include in your response, in addition to the normal mail flow, the methods that are utilized for those addresses that have a unique 5-digit ZIP Code and for those government agencies that receive large volume of Certified Mail).

i) For any of the automated systems that are used to "trap" Certified Mail, advise the number of units that have been installed as of this time, the number of processing machines that do not have this unit installed, the percentage of overall mail which is processed through machines which have this device, and an estimation of the effectiveness of these machines in trapping Certified Mail.

j) If there are processing machines which do not have these devices installed on them, outline the plans for installing the device on all remaining processing machines and the date when 100% of the mail will be processed in this manner.

k) If the completion date for installation of these devices in all processing machines has changed from that which was advised in Docket No. R97-1, explain why it was necessary to change the date.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF DAVID B. POPKIN

l) Explain and discuss any subparts you are not able to confirm.

DBP/USPS-3 Response:

a) Confirmed.

b) Explained by equipment type in witness Kingsley's testimony ((USPS-T-10). Machinability requirements for automation compatible letters are in DMM C810 and for flats in DMM C820.

c) Average cost per 1000 as of AP 13 FY1999 for automated letters, automated/mechanized flats and manual letters and flats are in Witness Kingsley's testimony (USPS-T-10) at page 32. Separate values by machine or presort level are not available. However, productivity comparisons are in Witness Miller's (USPS-T-24) testimony for various letter productivities and LR-I-90, Flats Mail Processing Cost Model, for various flat productivities.

d) Yes.

e) Confirmed for the Form 3800 (July, 1999 version).

f) The "tagging" on Form 3800 (July, 1999 version) allows the Certified Mail detector on most BCSs to identify a letter with the properly applied label and sort it to a specific bin if so designated by the sort plan.

g) Confirmed in most situations. However, some carriers may bring USPS Form 3812 along with them on the route in the event they find a Certified Mail piece that had not been accounted for in the office prior to them leaving for the

street. This form allows them to account for and deliver a Certified Mail piece if it had not already been accounted for.

h) Certifieds are either pulled out manually by a clerk or a carrier, or pulled out on a BCS if a Certified Mail detector is on, the July version of the Form 3800 is properly applied, and a dedicated bin is designated in the sort plan.

i) For the equipment to "trap" Certified Mail, please see response to DFC/USPS-T10-8. The percent of mail processed through these machines and the effectiveness of the process are not tracked. OCRs and FSMs currently do not have the capability to automatically trap Certified Mail.

j) Please see response to DFC/USPS-T10-8.

k) Please see response to DFC/USPS-T10-8.

l) See the responses to subparts (a) - (k) above.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF DAVID B. POPKIN

DBP/USPS-6.
[a] Confirm that under the present rates, PO to Addressee Express Mail would have the following rates:

Weight	Flat-rate Envelope	Other type of enclosure
Under eight ounces	$15.75	$11.75
Eight to 32 ounces	$15.75	$15.75
Over two pounds	$15.75	$18.50 or more

[b] Confirm that under these rates, a mailer will have to pay $4 more for mailing an article under 8 ounces in a flat-rate envelope rather than in a non-flat-rate envelope.

[c] Confirm that under the proposed rates, that difference would be $3.75 for mailing an article under 8 ounces in a flat-rate envelope rather than in a non-flat-rate envelope.

[d] Explain and discuss any subparts you are not able to confirm.

RESPONSE:

a) Confirmed.

b) Confirmed.

c) Confirmed.

d) N/A.

INTERROGATORY NUMBER CORRECTED APRIL 7, 2000
RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF DAVID B. POPKIN

DBP/USPS-9.

a. Confirm that many facilities with Post Office Boxes are located in government-owned buildings.
b. Confirm that the Englewood, NJ 07631 post office is located in a government owned building.
c. What percentage of postal facilities with Post Office Box Service are located in government owned buildings?
d. Please provide, in detail, the procedure that will be utilized to determine the equivalent rental fee for space located in government owned buildings.
e. Please provide the calculations with specific numbers that will be used to determine the Fee Group for Englewood, NJ 07631.
f. Explain and discuss any subparts you are not able to confirm.

RESPONSE:

Post office boxes are located in buildings owned by the Postal Service, other government agencies (GSA, Department of Defense, etc.), and the private sector. Except for those privately owned, all are "government-owned." Consideration of their ownership status, however, was immaterial to the development of new post office box fee groups; accordingly, percentage breakdowns by ownership type was not collected for use in the analysis. The new fee groups proposed by the Postal Service are based upon imputation of a rental value for all facilities that contain post office boxes; this is true both of government owned and privately owned facilities.

This interrogatory seems to query how rental values are determined for owned facilities, since there would be no lease. Unlike the limited fee group changes for 29 facilities that occurred on January 10, 1999 (see the response to DPB/USPS-7) which required the existence of lease data, the wholesale restructuring of fee groups in this docket depends simply upon a calculation of

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF DAVID B. POPKIN

DBP/USPS-T40-9.

a. Confirm that many facilities with Post Office Boxes are located in government-owned buildings.
b. Confirm that the Englewood, NJ 07631 post office is located in a government owned building.
c. What percentage of postal facilities with Post Office Box Service are located in government owned buildings?
d. Please provide, in detail, the procedure that will be utilized to determine the equivalent rental fee for space located in government owned buildings.
e. Please provide the calculations with specific numbers that will be used to determine the Fee Group for Englewood, NJ 07631.
f. Explain and discuss any subparts you are not able to confirm.

RESPONSE:

Post office boxes are located in buildings owned by the Postal Service, other government agencies (GSA, Department of Defense, etc.), and the private sector. Except for those privately owned, all are "government-owned." Consideration of their ownership status, however, was immaterial to the development of new post office box fee groups; accordingly, percentage breakdowns by ownership type was not collected for use in the analysis. The new fee groups proposed by the Postal Service are based upon imputation of a rental value for all facilities that contain post office boxes; this is true both of government owned and privately owned facilities.

This interrogatory seems to query how rental values are determined for owned facilities, since there would be no lease. Unlike the limited fee group changes for 29 facilities that occurred on January 10, 1999 (see the response to DPB/USPS-7) which required the existence of lease data, the wholesale restructuring of fee groups in this docket depends simply upon a calculation of market based rental value for all postal facilities that provide post office box

service. This is accomplished by witness Yezer, USPS-T-31, who starts with a data set that includes all Postal Service facilities. USPS-T-31 at 9. He then considers a variety of variables, which he groups into eight general categories (*id.* at 4-7), to impute market based rental values for each facility with post office boxes, including owned offices like the main office in Englewood. He does this for leased facilities as well, thereby accounting for the age of the lease, the type of facility, etc. Witness Kaneer, USPS-T-40, then uses witness Yezer's results as a distribution key for the Postal Service's book space provision costs; this distribution is then used with other factors to develop the proposed groups.

Witness Yezer's data set does include a lease for an Englewood, New Jersey facility; it is for a parcel post annex and not the main office. However, details of his calculations are not being made publicly available for the reasons specified in the Motion of United States Postal Service for Waiver and for Protective Conditions for Analysis of Witness Yezer, filed on January 12, 2000 together with the Postal Service Request and related materials. Further information was provided in the Response of United States Postal Service to Presiding Officers Ruling No. R2000-1/3 (February 24, 2000).

On March 10, 2000 Presiding Officer's Ruling R2000-1/11 determined the protective conditions applicable to witness Yezer's material. It will soon be available. *See* Notice of United States Postal Service Regarding Provision of Witness Yezer's and Witness Kaneer's Materials under Protective Conditions (March 14, 2000).

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF DAVID B. POPKIN

Witness Yezer's results are based on separate rental equations estimated statistically for different geographic regions. His work can be conceptualized as developing a standard rental value for each of several geographic areas. Using these estimated rental equations, specific facility rental values are then imputed by adding to or subtracting from the standard value to account for each of various facility attributes. Thus, the presence of parking, location in an office park, the size of the facility, the age of the lease, and the host of other variables he relies upon inform facility specific results.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORY OF DAVID B. POPKIN

DBP/USPS-11.

[a] Confirm that a number of post offices throughout the country are in the format of a Postal Retail Store.

RESPONSE:

[a] Confirmed.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORY OF DAVID B. POPKIN

DBP/USPS-13

USPS-LR-I-200 provides Audit Reports on Special Services in the Northeast Area. Please provide me with copies of any Special Services audits that have been conducted since 1990 [the date on which the Postal Service was to conduct a study of return receipts] in any area in the country, including the Northeast Area.

RESPONSE:

Based on discussions with the Manager, Special Services, the Postal Service does not believe that any such audits (concerning certified mail and return receipt service) exist, except for the report that has already been provided as library reference I-200.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORY OF DAVID B. POPKIN

DBP/USPS-14. [a] In those post offices that have City Delivery service, is it required to deliver mail six days a week [Monday through Saturday except legal holidays] at the following types of addresses: [I] City Delivery Route [2] Post Office Box [3] General Delivery [4] Rural Route [5] Highway Contract Route? Provide a regulatory reference which permits any negative responses.

[b] Provide a similar response for post offices that do not have City Delivery service [Except, no response is needed for City Delivery routes]. Provide a regulatory reference which permits any negative responses.

[c] If exceptions may be made to the level of service, advise the level of management required for approval.

RESPONSE:

(a-c) Generally, six days a week delivery is provided for all categories.

1) City Delivery Routes - There are seasonal city delivery routes and situations where business customers may be closed on Saturdays and have requested no delivery for that day. It is conceivable that in high density business districts, there may be five-day service, based on these customers' service requirements. Delivery frequencies are subject to Area Manager approval (POM 621.3).

2) PO Boxes - Delivery is generally provided when the post office is open and the post office box area is accessible to customers. The District Manger can delegate authority for the level of service. Postmasters may have some limited authority as well.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF DAVID B. POPKIN

3) General Delivery - Generally available when the post office lobby is open. The District Manager can delegate authority for the level of service. Postmasters may have some limited authority as well.

4) Rural routes - Again, there are seasonal rural routes (POM 651.3) and instances of less than six days a week delivery (POM 651.4). District Manger can delegate authority for the level of service. Postmasters may have some limited authority as well.

5) Highway Contract Route - There are instances of less than six days a week delivery. The Distribution Networks Manager can make these approvals (POM 662.2).

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF DAVID B. POPKIN

DBP/USPS-16.

[a] Please explain how a retail window clerk will determine whether an Express Mail article will be overnight or second day.

[b] If a customer is waiting in line prior to the facility's cut-off time but does not have the article processed until shortly after the cut-off time [due to waiting on line or clerks diversion or other reason beyond their control] does the retail terminal automatically default the guaranteed time of delivery.

RESPONSE:

a) The clerk will look up the service standard for Express Mail between the origin and destination.

b) Yes, the retail terminal does automatically default. However, the clerk has the option of resetting the clock.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF DAVID POPKIN

DBP/USPS-18

(a) Confirm that the Postal Service conducts a Customer Survey consisting of a four-page questionnaire which is returned by the mailer to Market Facts, Inc., in Arlington Heights, Illinois.

(b) How many different versions of this Consumer Survey are utilized?

(c) Please furnish a copy of each of the survey forms that are utilized.

(d) Is this survey utilized at all post offices in the country? If not, what areas is it utilized?

(e) For any given post office, how often are survey forms distributed?

(f) Are forms sent to all types of addressees, namely city delivery, post office boxes, rural and HCR routes? If not, why not?

(g) Confirm that these surveys mailed directly to the customer.

(h) How are customers chosen to receive the survey?

(i) To whom are the customer's names and addresses provided to in order to have the surveys distributed?

(j) On any given survey at a specific post office, how many survey forms are distributed? How is this number determined?

(k) What confidence level does the Postal Service expect from this survey?

(l) I would think that customers who had problems with the Post Office might be more likely to return the survey. What evidence does the Postal Service have that customers who actually complete and return these forms are in proportion to the entire sample space? Provide copies of studies.

(m) To achieve the level of confidence indicated in subpart [k], what percentage of the survey forms must be returned?

(n) It would appear that one could not obtain reliable information if only 4 or 5 survey forms were returned out of 10,000 deliveries in a specific office. Is a minimum number of survey returns required to achieve the desired level of confidence [even if it meets the required percentages]? If so, what number is required?

number of survey returns required to achieve the desired level of confidence [even if it meets the required percentages]? If so, what number is required?

(o) How does the Postal Service utilize the survey results to improve the level of service?

(p) Explain and discuss any items that you are unable to confirm.

Responses:
(a)] The postal service conducts a mail out /mail back survey of residential household customers consisting of a four page questionnaire which is returned to the Gallup Organization, Lincoln, Nebraska.

(b) One version is currently used for residential customers.

(c) A copy is attached.

(d) The survey is conducted nationwide.

(e) Surveys are mailed to randomly selected households on a continuous basis.

(f) Yes.

(g) Surveys are mailed directly to the customer by the Gallup Organization.

(h) Households are randomly selected for survey mailings.

(i) The Postal Service does not provide either names or addresses to the Gallup Organization. The Gallup Organization uses the Donnelly list for sample selection.

(j) Surveys are not distributed to post offices, but rather are mailed directly to randomly selected households. The sample is drawn to meet precision requirements.

(k) At the Performance Cluster level, for a postal quarter, the minimum precision is + or - 3% at a 95% confidence level.

(l)] The sample is a random selection of all postal customers without previous knowledge of their specific experiences. Not applicable.

(m) The number of completed surveys required is determined by the precision level.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
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(n) The survey is designed to produce a quarterly estimate at the Performance Cluster level to meet the minimum precision requirements. Yes, a maximum of 1067 responses would be required.

(o) The survey results are made available to headquarters and field managers to monitor levels of customer satisfaction and identify opportunities for improvement.

(p)] All questions have been answered.

RESPONSE OF U.S. POSTAL SERVICE
TO INTERROGATORIES OF DAVID POPKIN

DBP/USPS-27.

(p) Confirm that any article which is mailed as First-Class Mail may be sent as Priority Mail.

(q) Confirm that the service received with Priority Mail will be equal to or better than that received with First-Class Mail.

(r) Confirm that the only requirement to send First-Class Mail [weighing under 13 ounces] as Priority Mail is to pay extra postage.

RESPONSE:

(p) Confirmed.

(q) Please see response to APMU/USPS-T34-25.

(r) Confirmed.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF DAVID POPKIN

DBP/USPS-37

(a) Various witnesses have utilized a rounding constraint technique to round the proposed rate to the nearest or next highest value. Some rates are rounded to the penny, such as First-Class Mail, and others are rounded as much as $50. On what basis was the amount chosen?

(b) Confirm, or explain if you are unable to do so, that, in general, the smaller the rounding constraint value, the more accurate the charge will be to its proper value.

RESPONSE:

(a) In each case, the rounding reflects the proponent's consideration of the goals embodied in 39 U.S.C. § 3622(b)(7). A whole-cent First-Class Mail basic rate contributes significantly to the ease with which household mailers are able to conduct their most common postal transactions. In more complicated rate/fee schedules, such as those which reflect rounding to nickel or $50 increments, the goal is to develop schedules with relatively smooth transitions from one rate element to the next. An absolute lock in cost and rate/fee cell relationships for complicated schedules would result in uneven fluctuations between cells. The goal in postal ratemaking is to ensure that a subclass or service covers its volume variable costs and meets its revenue contribution target. Although this could be accomplished by means other than relatively "smooth" and "rounded" rate/fee schedules, both the Postal Service and the Postal Rate Commission find virtue in the type of rounding reflected in the current and proposed schedules in this proceeding.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
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Response to DBP/USPS-37 continued

(b) Not confirmed. With the considerable rate averaging that takes place in postal ratemaking, reasonable minds can disagree about whether one charge would be "more accurate" than another, irrespective of the size of the rounding constraint value. It can be argued that any rate which conforms to the policies of the Postal Reorganization Act also reflects a "proper" value.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KIEFER TO INTERROGATORY OF DAVID B. POPKIN

DBP/USPS-38

[a] With respect to Bound Printed Matter, confirm that the Destination Delivery Unit [DDU] category does not apply to single piece mailings and only applies to bulk mailings.

[b] Confirm that there are reduced costs for handling articles within the same post office only rather than to anywhere within the first two zones.

[c] Why was the Local Zone rate eliminated for single piece Bound Printed Matter?

[d] Explain and discuss any items that you are unable to confirm.

RESPONSE

[a] The proposed DDU discount will only apply to bulk mailings (Basic Presort and Carrier Route Presort).

[b] Mail that is entered at the destination delivery unit should generally incur less mail handling and transportation than mail that has to be sent from the entry post office to the local mail processing plant for processing and then transported from the plant to the delivery unit. These additional steps add to the cost of mail that is deposited other than at the destination delivery unit.

[c] The Postal Service is proposing to eliminate the Local rate for both single piece and presort BPM for the same reason: that the Local rate is no longer consistent with the realities of the way mail is processed. For a fuller explanation of the ways that Local rate mail lacks the incentives for mailers to deposit mail consistent with the way it is processed, see the testimonies of USPS witnesses Linda Kingsley (USPS-T-10, at 26) and Charles Crum (USPS-T-27, at 13), as well as responses of both witnesses

to interrogatories filed by the Association of American Publishers (Kingsley: AAP/USPS-T- 10-1, and Crum: AAP/USPS-T-27-2,3,4,10). The volume affected by the change is small: about 0.2% of total BPM (4% of single piece BPM) paid the single piece Local rate in FY 1998.

[d] Not applicable.

RESPONSE OF UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF DAVID B. POPKIN

DBP/USPS-39. In figure 1 on page 12 of USPS-T-28,

[a] confirm that the "% letters" category indicates the percentage of mail which fits into the Letter-Size Mail dimensions as shown in Exhibit 2.0 of DMM Section C050.

[b] Confirm that 4 out of every thousand letters weighing between 10 and 11 ounces will fit into this letter size category.

[c] Confirm that 31 out of every thousand letters weighing between 5 and 6 ounces will fit into this letter size category.

[d] *Since the weight of paper contained in a maximum letter size article is about* 7.5 ounces and since most paper utilized is 8-1/2 by 11 inches and since folding the paper would increase the thickness over unfolded paper, is any insight available as to the what these heavy letters might contain or how they could be prepared to be that heavy while not exceeding the size for letters?

[e] Please confirm that the data in this table is [sic] valid.

[f] Provide data for 12 and 13 ounces now that the transition from First-Class Mail to Priority Mail has been changed.

RESPONSE:

a. Confirmed.

b. Not Confirmed. Four out of every 1000 *pieces* weighing between 10 and 11 ounces are categorized as letters, not 4 out of every 1000 *letters*.

c. Not Confirmed. 31 out of every 1000 *pieces* weighing between 5 and 6 ounces are *categorized as letters, not 31 out of every 1000 letters.*

d. No citation is provided for the data provided in the question. The question, moreover, appears to be assuming that letters always are made of and include only standard paper. This is not always the case. Letters may include a variety of contents that may be comprised of material that is heavier/denser than standard note paper. It should be noted that the proportion of mail categorized as letters in the higher weight categories is very small.

e. Confirmed, however, please note that the 4 to 5 ounce parcel category should read 11.3 percent, and not 11.6 percent. Also, please note that the table does not include any Cards subclass volume.

f. Using GFY99 RPW data, the percent of 12 and 13 ounce pieces by shape are:

	12 oz.	13 oz.
% Letters	0.4	0.5
% Flats	76.8	74.9
% Parcels	22.9	24.6

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF DAVID B. POPKIN

DBP/USPS-55. [a] How many of the mail processing facilities are now fully equipped with a device which will automatically "trap" a Certified Mail article by the presence of the phosphor ink on the Certified Mail label? [b] How many of the mail processing facilities are partially equipped with such a device? [c] How many of the mail processing facilities are not equipped with such a device? [d] What percentage of the mail is processed through a machine equipped with such a device. Note: Subparts [a] through [c] refer to the number of facilities and subpart d refers to the percentage of mail. [e] If there are any facilities listed in response to subparts b or c or if the response to subpart d is not 100%, provide an implementation schedule as to when that level will be achieved. [f] Confirm, or explain if you are unable to do so, that if there are any facilities which do not have such a device installed then there is an increase in the likelihood that the mailer may not receive the Certified Mail service that was requested. [g] If your response to subpart f is negative, then what purpose is achieved by installing these devices? [h] If you are able to confirm subpart f, explain how the failure to have all facilities equipped with this device can be reconciled with providing a quality service with value to the mailer.

RESPONSE:

Please see the response of witness Kingsley to interrogatory DFC/USPS-T10-8. Note that implementation of detectors is complete on all of the barcode sorters that do DPS processing.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF DAVID B. POPKIN

DBP/USPS-59 The following interrogatories are related to determining how revenue and expenses which apparently are not related to matters under the jurisdiction of the Postal Rate Commission enter into the rate evaluation. [a] For example, how are any profits [revenue minus expense] from such items as International Mail, Philatelic Products, Phone Cards, Money Cards, and sale of merchandise ranging from Fathers Day cards to Bugs Bunny ties taken into account? [b] Do any profits go into the total postal revenues thereby reducing the total amount that must be recovered from postage charges?

Response:

a) The Postal Service does not track these items separately; please see the response to OCA/USPS-T9-30, redirected to the Postal Service. Also, please see the response to OCA/USPS-T9-31 regarding how such profits are taken into account.

b) Please see the response to OCA/USPS-T9-31.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF DAVID B. POPKIN

DBP/USPS-60 [a] For each of the past five years, what were the total revenue and expenses for International Mail? [b] For each of the past five years, what were the total revenue and expenses for the sale of Phone Cards and Money Cards? [c] For each of the past five years, what were the total revenue and expenses for the sale of the various items of merchandise as noted above?

Response:

a) For each of the past five years, the total revenue and expenses for International Mail can be found in the Cost and Revenue Analysis report. These reports are available for the years requested in the Postal Service Library, L'Enfant Plaza SW, Washington, DC 20260.

b & c) In general, the Postal Service does not track revenue and expenses for the sale of the various items of merchandise as defined in the question. For those items that are separately tracked though, please refer to USPS-LR-I-248.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF DAVID B. POPKIN

DBP/USPS-61 With respect to the Philatelic Products, [a] for each of the past ten years, what were the total revenue and expenses amounts related to it? [b] With respect to revenue amounts, what methods are utilized to determine the division of stamp sales between those that will be utilized to pay for mailing as opposed to those that will not be utilized? [c] What are the goals of the Postal Service with respect to the profit levels to be achieved from the sale of Philatelic Products?

Response:

a) Philatelic programs include the sale of stamps to collectors and the sale of other philatelic products. Postal Service accounting reports do not provide sufficient information to precisely determine the total revenues and expenses that result from philatelic programs. For example, revenue from sale of stamps is not separated in accounting records between the amount that is to be used for postage and the amount that is to be saved by collectors. Also, printing and window service labor costs related to philatelic stamp sales are not available from Postal Service accounting records and reports. Estimates based on samples and the accounting information that is available are provided in the Comprehensive Statement on Postal Operations, copies of which are available in the Postal Rate Commission library and the Postal Service library.

b) Stamp Services uses a sampling system called the Household Tracking Index (HTI) to estimate the number of stamps that are purchased within each household, and out of this total how many are used for postage or saved by collectors. Each quarter a self administered questionnaire is mailed to a total of 50,000 households. Selected households are provided with visual replications of approximately 9 stamp issues, and asked specifically how many of each stamp issue they have retained or might retain for non-mailing purposes. On average, roughly 35,000 households complete and return the questionnaire.

c) The Postal Service's goal with respect to philatelic programs is to generate as much net revenue as is practicable.

RESPONSE OF UNITED STATES POSTAL SERVICE
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DBP/USPS-62 With respect to the delivery of Post Office to Addressee Express Mail, [a] Provide information on the percentage of articles that are delivered by the guaranteed delivery time. Provide records for the past year or more. [b] Confirm that only the mailer [and not the addressee] may make a postage refund claim for delivery made after the guaranteed time. [c] How many articles and what percentage are delivered later than the guaranteed time over the past year or more? [d] How many claims have been filed for return of postage for late delivery for the same time period as utilized in Subpart [c]? [e] Confirm that a mailer must take a specific action to determine that an Express Mail article was delivered late and that without this information will be unaware of the late delivery of the article. [f] Explain any reasons why the percentage of refunds is less that the total number of articles delivered late. [g] Please explain and discuss any subparts you are not able to confirm.

RESPONSE:

(a) Information available from March 27, 1999, to March 31, 2000, shows that 91.2% were delivered by the guaranteed time.

(b) According to DMM §§ S010.21 and S500.21, only the sender can file a claim for a refund.

(c) Information available from March 27, 1999, to March 31, 2000, shows that 8.8% were not delivered by the guaranteed time.

(d) This information is not available. Refund data are tracked by revenue, not by the number of claims.

(e) Please see response to part (b). A sender would have no basis for filing a claim without first determining that the article was delivered late.

(f) One can surmise that customers choose not to apply for a refund because they are satisfied with the service they received. They may not be concerned about the precise delivery date and time and may have chosen Express Mail for other reasons, such as the impact on the sender, or for the insurance provided. Or they may be satisfied that the article was delivered some time the next day, even if not, for instance,

by the guaranteed time of noon. In the case of isolated destinations, one can surmise that customers mailing to such locations are likely to be aware of the difficulty in reaching that location and may very well be satisfied with the fastest delivery available at a reasonable price or indeed at any price, even if it was not delivered within the guaranteed time.

(g) Explanations are Included in above answers.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES FROM DAVID POPKIN

DBP/USPS-65

In response to DFC/USPS-48, it was indicated that carriers are able to determine that the postage is correct on DPS mail as it is delivered. [a] Confirm that this evaluation is completed at the delivery point as opposed to at the office. [b] Confirm that letter carriers do not carry accurate postal scales with them while making deliveries on their route. [c] Confirm that the proper postage is a function of the weight of the article. [d] Confirm that the Postal Service has issued a number on stamps without the denomination shown on them. Provide the number of different non-denominated stamps issued. [e] Confirm that carriers normally do not have the values of each of the non-denominated stamps with them? [f] Explain how the letter carrier will be able to evaluate the mail for proper postage without a scale. [g] Explain how a letter carrier will be able to distinguish between a 0.9 ounce letter which requires 33-cents postage and a 1.1 ounce letter which requires 55-cents postage. [h] Explain how a letter carrier will be able to determine that a one ounce letter with an A and a B stamp affixed to it has the proper postage. [i] Explain the details of any non-denominated stamps proposed for the upcoming rate change including whether they will have a letter value on them. [j] Explain and discuss any items you are not able to confirm.

RESPONSE:

(a) Confirmed. And it can be completed before the carrier leaves the office, by riffling through trayed mail, scanning the indicia, and examining letters which, to the naked eye, are thick enough to warrant a closer examination to determine if they weigh more than one ounce and require additional postage.

(b) No analysis of the accuracy of any scales that letter carriers might possibly carry with them has been conducted.

(c) For most mail pieces, weight is a factor affecting postage. However, there are exceptions, like postcards.

(d) In the past 30 years, there have been more than a few. The exact number is immaterial.

(e) The Postal Service has not conducted an analysis which indicates the degree to which carriers "have the values of each of the non-denominated stamps with them". Except in the rarest of circumstances, they are presently unlikely to encounter any non-denominated stamps other than the "H" stamp and the Breast Cancer Awareness Stamp.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES FROM DAVID POPKIN

Response top DBP/USPS-65 (continued)

(f) Carriers can use templates to determine whether First-Class Mail pieces are nonstandard. Also, see the response to parts (a) and (c).

(g) There are numerous instances when a carrier's experience and judgment can provide a basis for determining when to check a First-Class Mail letter to determine if additional-ounce postage is necessary. The surest way of distinguishing between letters weighing 0.9 ounces and 1.1 ounces is to weigh them.

(h) One would expect that such an unlikely occurrence would stop the letter carrier in his or her tracks and so overwhelm that employee with curiosity that they would do whatever it took to satisfy themselves that the postage was proper.

(i) Current plans do not include the use of a non-denominated basic rate First-Class Mail rate designated by a letter (A,B,C, etc.) for R2000-1 rate implementation. See response to OCA/USPS-62.

(j) No.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORY OF DAVID B. POPKIN

DBP/USPS-67: [a] Confirm that Postal Operations Manual Exhibit 125.22 [Issue 8 7/16/98] and Domestic Mail Manual Exhibit G011.1.5 [Issue 55 1/10/00] both show level of service that is provided on holidays and the day[s] before and/or after the holiday. [b] What is the significance, if any, that the definitions for Holiday and Sunday are not shown in the POM Exhibit? [c] Confirm that, while the DMM version allows a District Manager to authorize any exceptions to the level of service, the POM version requires that exceptions be approved by the Chief Operating Officer and Executive Vice President and therefore would be the controlling requirement. [d] Provide a listing of the exceptions, if any, that have been approved by the Chief Operating Officer and Executive Vice President in the past three years. [e] Explain and discuss any items that you are unable to confirm.

RESPONSE:

[a] Confirmed

[b] The Postal Service is currently unaware of any significance of the omission of those definitions from the POM Exhibit.

[c] Confirmed; however, the DMM appears to be correct. No exceptions have been approved by the Chief Operating Officer and Executive Vice President.

[d-e] Objections filed.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORY OF DAVID B. POPKIN

DBP/USPS-70: In regard to the Service Commitments / performance goals for First-Class Mail, with regard to the delivery standards realignment that took place as a result of Docket N89-1 along with the experimental [which became permanent on September 23, 1989] realignment that took place prior to that in the Metropolitan New York City area, what percentage of the mail profile prior to that Docket and experiment shifted from [a] one-day to two-day delivery, [b] one-day to three-day delivery, [c] two-day to one-day delivery, [d] two-day to three-day delivery, [e] three-day to one-day delivery, and [f] three-day to two-day delivery? [g] What were the purposes of this realignment? [h] Did this realignment result in an increase in or a savings of costs associated with the mail processing and transportation [or any other areas]? [i] If so, provide the yearly change in costs for each year since the change. [j] Did this realignment result in a change in the consistency of mail delivery? [k] If so, provide the data for each year since the change. [l] Have there been any changes in delivery standards since this experiment/docket? [m] If so, enumerate them. [n] Is there a specific request to the mailing public at regular intervals to inquire about potential changes desired in delivery standards? [o] If so, explain and provide details. If not, explain why not.

RESPONSE:

[a-k] Objection filed on March 30, 2000.

[l-m] No changes of national significance have taken place.

[n-o] No. There has been no determination that the Postal Service needs to establish special procedures to solicit such suggestions from a general public which routinely communicates with the Postal Service concerning the full range of delivery issues.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORY OF DAVID B. POPKIN

DBP/USPS-72: [a] Confirm in general that air transportation will be more costly than surface transportation. [b] Confirm in general that air transportation will provide more expeditious service than surface transportation. [c] If not, explain. [d] Is air transportation utilized in all instances where it would advance the delivery time for First-Class Mail by one or two days over that which may be obtained by utilizing surface transportation in whole or in part? [e] If not, why not and explain how the handling of this mail could be considered to be handled expeditiously. [f] Provide copies of any regulations, directives, or memoranda issued at Area or above level which specify when to utilize air transportation service. [g] Provide copies of any press releases, directives, or other memoranda which were issued at the Headquarters level to indicate the level of service that would be provided to First-Class Mail at the time that Air Mail was eliminated as a separate domestic service some twenty years ago. [h] Does the level to which air transportation is utilized today match the level that was stated when Air Mail was eliminated as a separate service? [i] If not, explain how and why it does not.

RESPONSE:

[a] Confirmed.

[b] Not Confirmed.

[c] There are instances when surface transportation is both more consistent and more expeditious than air. This is a function of factors such as distance, air line schedules, air carrier capacity, etc.

[d] No.

[e] The Postal Service chooses its transportation based on service commitment and cost.

[f-i] Objection filed on March 30, 2000.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORY OF DAVID B. POPKIN

DBP/USPS-73: In regard to the Service Commitments / performance goals for First-Class Mail, [a] do the delivery standards apply to all types of First-Class Mail regardless of whether it is a letter, card, parcel, flat, or other shape or type? [b] Do the delivery standards apply regardless of the method by which the article is addressed such as printed vs. handwritten? [c] Do the delivery standards apply regardless of whether the article has no ZIP Code or a 5- or 9- digit ZIP Code? [d] Do the delivery standards apply regardless of whether or not the article contains a 5-, 9-, or 11-digit barcode applied by the mailer? [e] Do the delivery standards apply regardless of any other services that are utilized such as Certified Mail, Registered Mail, COD, Insured Mail? [f] Do the delivery standards apply whether or not the postage is paid by stamps which require cancellation or by some other means, such as a postage meter, which does not require cancellation. [g] Are the EXFC results broken out by any sub-scores for different characteristics of mail as noted in subparts a through f above? If so, provide results for the most recent period. [h] Elaborate and explain any negative answers.

RESPONSE:

[a] Yes, delivery standards are based strictly on Class, the ZIP Code of origin, and the ZIP Code of destination.

[b] Yes. Refer to [a] above. The address format makes no difference to the delivery standard.

[c] Yes. Refer to [a] above. The presence or absence of a ZIP Code, or whether the ZIP Code is 5 or 9 digit makes no difference to the delivery standard.

[d] Yes. Refer to [a] above. The presence or absence of a barcode, or the type of barcode, does not affect the delivery standard.

[e] Yes. Refer to [a] above. None of these special services affect the delivery standard.

[f] Yes. Refer to [a] above. Mail piece indicia does not affect the delivery standard.

[g] Objection filed on March 30, 2000.

[h] Not applicable.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORY OF DAVID B. POPKIN

DBP/USPS-74: [a] Is mail addressed to a government agency in Washington DC [ZIP Codes 202 through 205] included in the EXFC results for Washington DC? [b] If not, why not? [c] Have any studies been completed in the past three years to evaluate the delivery service to these agencies? If yes, please provide copies. If not, why not? [d] What special methods, if any, are utilized to process mail to these agencies. [e] Is the Postmaster at Washington responsible for the delivery of mail to these agencies? If not, please provide the name, title, and address of the responsible individual.

RESPONSE:

[a] No.

[b-e] Objection filed on March 30, 2000.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF DAVID B. POPKIN

DBP/USPS-75 [a] Does the USPS have a requirement that all mail which is placed into the system on a given day will be postmarked that day and will be processed that same day? [b] Does the USPS have a requirement that all mail turned in over a service window that is open to the public will be postmarked that day and will be processed that same day? [c] Does the USPS have a requirement that all mail turned into a city delivery, rural, or HCR carrier or which is collected by a carrier will be postmarked that day and will be processed on that day? [d] Does this apply to all delivery dates including Saturday? [e] Explain and elaborate on any negative answers.

RESPONSE:

a. No, see b. below.

b. No, see the response to DFC/USPS-6.

c. Although the Postal Service would normally seek to conform its operations to this objective to the extent possible, no such requirement has been identified.

d. Yes.

e. See above.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF DAVID B. POPKIN

DBP/USPS-76 [a] Are POM Sections 322.233 and 322.343 [Issue 8 7/16/98] still current with respect to the requirement for at least one collection on Sundays and holidays? [b] If not, provide a copy of the latest version as well as copies of any Headquarters directives or memoranda related to any changes. [c] To what extent would elimination of Sunday collections and mail processing have on the processing and delivery of First-Class Mail? [d] Would this result in any reduction or additional costs? [e] If so, elaborate and enumerate. [f] If Sunday and holiday collections and mail processing have been eliminated, are there any plans to resume them? [g] If so, explain and elaborate.

RESPONSE:

a. No.

b. The operative policy is set forth in the 1988 memorandum attached to the response to DFC/USPS-3.

c.-e. In conformance with the 1988 memorandum, regular Sunday collections and mail processing have been eliminated since 1988.

f.-g. There are no plans to resume them.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORY OF DAVID B. POPKIN

DBP/USPS-77: [a] *Provide a definition and description of the type of mail service that* is provided to a "no office" point in Alaska. [b] Compare the level of service that is provided for mail addressed to one of these delivery points compared to that which is provided at a post office. [c] May all classes of mail be sent to one of these delivery points? If not, provide exceptions. [d] May all classes of mail be sent by a person utilizing this level of service? If not, provide exceptions. [e] What is the address format for mail destined to one of these no office points? Please provide a specific address utilizing generic designators as John Doe for a name and 99XXX for a ZIP Code, etc. [f] Is the ZIP Code utilized for a no office delivery point unique to one or more no office points or is it shared with other address points that are not served in this manner?

RESPONSE:

[a] The term "No-Office Point" is used to describe the special mail service to communities without any postal facilities where the Postal Service assumes responsibility only for the transportation of mail to the community.

The "No-Office Point" communities initially were identified by the Civil Aeronautical Board as needing essential airline service. They were too small to have a post office, but agreements were made with the village/community leaders to have the airline carrier drop mail to a central location and the community took responsibility for the mail delivery.

To provide some accountability for the mail, we developed agreement forms for the communities to file with the administrative post office. A named caretaker of the mail was required for the airline carrier to release the mail, or a locked container was needed for the carrier to deposit the mail.

No-Office point service became the best alternative for providing service to small Alaska settlements when a considerable number of people would be seriously inconvenienced if required to travel an unreasonable distance to receive and deposit mail.

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[b] The airline schedule determines the level of service to a no-office point. Airline schedules actually determine the level of service to most Alaskan communities, whether they have a regular post office or a contract postal unit. For example, prior to one airline carrier going out of business in the Ketchikan area, most of the no office points received 5 to 6 day a week service. We have regular post offices that receive less service.

Under the Airline Deregulation Act, the Civil Aeronautics Board established "essential service" which the Postal Service considers the service standards for these communities. The essential service stated that a community should not receive a level of service less than that which existed during calendar year 1976, or two round trips per week, whichever is greater. No-office points established after 1980 did not have such guarantees unless they petitioned the FAA and were approved for essential service. For those new points, the Postal Service agreed to send mail to the community as long as they had a certificated airline carrier serving them. Once the certificated carrier left, the Postal Service discontinued the no-office point service.

[c] We do not send accountable and signature mail to no-office points. The administrative post office holds this mail and sends a notice of arrival to the community. Some communities authorize the airline carrier to pick up the mail by signing the forms authorizing the post office to dispatch the mail on the next scheduled trip.

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[d] Since no-office points do not have postal facilities, they use stamps for any mail going out. Some send money with parcels to be mailed at the administrative post office. The receipts and change is usually sent back to the customer on the next trip. In some cases, the community gives the funds and mail to the airline carrier who does the mailing for the customer.

[e] Prior to the automation age, no-office points used the following address format:

John Doe
Chulitna via McGrath AK 99627

During the mid 80's when we began implementing the ZIP+4 Program and standardizing addresses, we had to change the format. Since the no-office points were not postal facilities, they did not list in the National Zip Code Directory. Mailers had the blues trying to match the no-office point addresses to the ZIP Code.

We redesigned an addressing system to ensure the mail for no-office points could reach the communities without delay. To do so required the mail to reach the administrative post office without delay. Thus, we used the no-office point community's air stop code as a special post office box address for the community. We entered the box number in post office products which allowed mailers to match the address. Shown below is the addressing format we implemented and sent to all authorized no-office points:

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Joshua C McCoy
Deep Bay
PO BOX DPB
Ketchikan AK 99950-0030

This format allowed the mail to flow directly to the Ketchikan Post Office. The "DPB" is the airstop code for Deep Bay that the post office places on mail destined for the community. This annotation is well known in the dispatch operations. Upon arrival, the distribution clerks could separate the mail promptly to the no office points and make dispatch schedules.

In fact, without this change, our no-office point customers would have severe mail delivery problems. We have weathered the automation storm and our customers have not suffered from mail delivery issues. Their largest headaches come from the changing airline industry.

[f] Back in 1979, the Postal Service had several unique ZIP Codes established for the no-office points. At that time, there were approximately 230 communities considered for essential air service where the government assured that they would not lose air service. Prior to program, there were no guarantees that the communities would receive a particular levle of service from the carriers serving them. The Postal Service ZIP Codes for the no-office point communities were:

99695 - established for the no-office points served out of Anchorage

99696 - established for the no-office points served out of Bethel

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99697 - established for the no-office points served out of Kodiak

99790 - established for the no-office points served out of Fairbanks

99850 - established for the no-office points served out of Juneau

99950 - established for the no-office points served out of Ketchikan

This concept worked well prior to the automated postal sortation equipment. The small mail volume per community, the changing airline schedules, and the distribution scheme system made it impractical for the large offices to process the mail efficiently. These obstacles led to the addressing change discussed in (e) above. By moving the no-office points to the post office that actually made the dispatch to the community, the large post offices could process Alaska mail by ZIP Code. After the realignment, a few communities still were required to use the unique ZIP Codes since their only airline transportation came from the large offices.

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DBP/USPS-78 .
With respect to Express Mail tracking, [a] Indicate the points at which an Express mail article will be scanned, in the format of "acceptance at the mailing office", "arrival at the delivery office", etc. Distinguish between those points that are required and those that are optional. [b] How often and at what times are the results of the scan uploaded so that the information will be available to the public on the telephone or website? If necessary, provide separate information for different days of the week or otherwise.

RESPONSE:

(a) Express Mail receives a mandatory scan when it is accepted from the mailer at the post office or from collection boxes. Express Mail receives a mandatory scan when it arrives at the delivery unit, when it is attempted in the box section, when it is undeliverable as addressed, or when it is delivered at the retail counter or firm section. Express Mail receives a mandatory scan when the carrier delivers, attempts delivery or leaves a notice for a mailpiece. It is also scanned if the mailpiece is refused or undeliverable as addressed.

Express Mail receives an optional enroute scan when it arrives at the mail processing unit and when it is dispatched from the mail processing unit. This scan is only done if it will not delay or miss the scheduled transportation. When manifest or large mailings are accepted, the documentation is scanned for acceptance.

Express Mail is scanned whenever it is redirected for the following reasons: forwarded, mis-sent, returned to sender, no such number, insufficient address, moved left no address, forward expired, addressee unknown, vacant, unclaimed, or the recipient is deceased.

(b) Acceptance scans are uploaded once per day when the office closes out and transmits its financial data to our accounting systems. Delivery scan data is uploaded every time the scanner is placed in its cradle. Generally, this happens when carriers finish their route and return to the office. This data is available on the IVR (Integrated Voice Response System) and the website within minutes of transmission.

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DBP/USPS-80 [a] Confirm that the reverse side of the Customer Copy of Label 1 I-B for Express Mail starts off with the words "Service Guarantee" and uses the words "guaranteed time" two times in the body of the first paragraph. [b] Confirm that the Postal Service utilizes the word, or a derivative of the word, "guarantee" in its publicity and advertising of Express Mail. [c] What is the definition of the word "guarantee/guaranteed", or its derivative, as utilized in these respects? [d] Confirm that the word "guarantee", or its derivatives, when utilized by the Postal Service with respect to Express Mail means that the mailer will be guaranteed to get a refund of postage if the article is not delivered by the guaranteed time, as opposed to whether or not it will even be possible for the delivery to be made. [e] What percentage of the Express Mail users in the country do you feel will believe that the use of the word guarantee, or its derivatives, will indicate that, barring a failure, delivery will be made by the guaranteed time? [f] Confirm that there are instances where a mailer of Express Mail will be provided a guaranteed delivery time at the time of mailing the article for which it will be impossible for the Postal Service to achieve. [g] Do you feel that this form of advertising is in the best interests of the customer? If so, please explain why? [h] If a private delivery service were to advertise delivery by a guaranteed time when it was impossible to achieve that delivery time, could that be considered false advertising? [i] Is the Postal Service exempt from complying with the Truth in Advertising laws of the Federal Trade Commission? [j] If not, what is their policy on voluntary compliance. [k] Please discuss and explain any items you are not able to confirm.

RESONSE:

(a) Confirmed.

(b) Confirmed.

(c) The word "guarantee" used with respect to Express Mail means that if the item is not delivered by the guaranteed date and time, the mailer is entitled to claim a refund of postage.

(d) If Express Mail is not delivered or attempted by the guaranteed time, the mailer is entitled to a refund of postage.

(e) The Postal Service does not have this information.

(f) Please see the response of the Postal Service to DFC/USPS-79 and 80.

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(g) Please see the response of the Postal Service to DFC/USPS-79 and 80 and to DBP/USPS-62(f) above.

(h)-(j) Objection.

(k) Explanations are included in above answers.

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DBP/USPS-83

Witness 30, and perhaps others, utilizes the phrase "added contingency," or words of a similar import, to determine a final rate [See USPS-T-39 footnote 64 as an example]. [a] Please define and explain this phrase. [b] How has the amount of the added contingency been determined?

RESPONSE:

Please see the testimony of witness Tayman, pages 43-44.

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DBP/USPS-84

[a] What percentage of postal facilities that have post office boxes provide access to their box section 24 hours a day?

[b] Confirm, or explain if you are unable to do so, that these facilities fall into both those that have an employee on duty at the facility and those that do not.

[c] What percentage of the total number of post office boxes are accessible 24 hours a day?

[d] Confirm that, as a minimum, the box section in a post office should be accessible to the public at all times that a postal employee is on duty at the facility [which in many cases will be greater than the normal hours of retail operation]. If you are unable to confirm, please explain and discuss and provide specific information as to why it cannot be accomplished.

[e] Provide information on the reasons which would allow a postal facility to permit access to the post office box section during times when there are no postal employees on duty in the facility.

[f] Please provide copies of any directives or instructions that have been issued, if any, regarding the guidelines for determining whether a box section can be open when no postal employee is on duty.

RESPONSE:

a. This information has not been compiled, and if available would quickly become outdated. The Postal Service tries to accommodate customer preferences, so if demand for a 24-hour lobby is recognized, an effort to provide one in a given general vicinity is made.

b. Some lobbies containing post office boxes are open to the public 24 hours per day, and most of these probably do not have employees on duty all of that time. Decisions regarding when a given facility is open are made by local postal officials in light of local conditions, particularly security of individuals, the facility, and the mail. Local decisions regarding when unattended lobbies are open also vary over time as customer demand is balanced against the need for security

and safety. Many customers have access to a 24-hour lobby in their general vicinity, even if not at their closest or most convenient choice of facilities.

c. This information has not been compiled.

d. Not confirmed. The presence of a single employee in a facility does not mean that the facility's security is necessarily sufficient to warrant opening a lobby. Where feasible, the Postal Operations Manual does express a preference that lobbies be open when a facility is staffed. POM § 126.44. However, the POM contains operative guidelines for postal operations as opposed to formal requirements. Moreover, with the necessities for conserving costs and staff hours and often little customer demand, a mandatory policy would be unwarranted. See also, the response to part (b).

e-f. See POM § 841.74; see also, the response to part (b).

HEADER CORRECTED - 4/7/00
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DBP/USPS-89 [a] Please confirm, or discuss and explain if you are unable to, that there are a number of post offices where there are two or more separate facilities having post office box service while being under the jurisdiction of the same Postmaster. For each of the following situations of multiple box sections under the same Postmaster, advise whether the fee determination was performed for all of the separate facilities as a group or for each facility separately [b] Main post office and a branch with the same ZIP Code [c] Main post office and a station with the same ZIP Code [d] Main post office and an annex facility in the same area and with the same ZIP Code [e] Main post office and a CPU with the same ZIP Code [f] Same as subpart b except with different ZIP Codes [g] Same as subpart c except with different ZIP Codes [h] Same as subpart d except with different ZIP Codes [i] Same as subpart e except with different ZIP Codes [j] In those instances where two or more separate facilities had a single rate established for them, please explain the procedure that was utilized. [k] Confirm, or explain if you are unable to do so, that there are facilities where post office boxes have a separate ZIP Code from the street addresses. [l] How will this condition affect the determination of box rents?

Response:

[a] Confirmed that a post office and postmaster may have administrative responsibility for subordinate stations, branches, contract units, etc.

[b-e] In cases where a ZIP Code has more than one facility, all facilities were treated the same based on witness Yezer's rental value estimate for the facility having the most boxes.

[f-i] Each facility would be treated separately, since classifications are specified by ZIP Code.

[j] See response to [b-e]

[k] Confirmed.

[l] Witness Yezer estimated cost per square foot values for the physical facilities by their ZIP Code. These estimates of space costs by physical ZIP Code were used, in part, to specify the proposed fee groups. Box sections located inside a facility, having a non-physical ZIP Code that is numerically different from that of the facility in which they are located, are assigned the cost per square foot for the physical ZIP Code. In simple terms, the ZIP Code of the building is utilized, not the ZIP Codes of the boxes located inside.

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DBP/USPS-92.

[a] What is the distinction between a Group B facility [B2] and a Group C facility [C3/C4/C5]? Are there any characteristics, other than cost, that separate them?

[b] Confirm, or explain and discuss if you are not able to confirm, that Groups B2 and C3/C4/C5 rates apply to all facilities that have city delivery service and that this is the only definition for the group and that the determination of which of the four groups will be based on a cost factor.

[c] Confirm, or explain and discuss if you are not able to confirm, that Groups D5/D6 rates apply to all facilities that do not have city delivery service but do have either rural or HCR service operating out of that facility and that this is the only definition for the group and that the determination of which of the two groups will be based on a cost factor.

[d] Confirm, or explain and discuss if you are not able to confirm, that Group E rates apply to those boxes that are located at facilities whose only delivery method is through the box or by General Delivery [unless the customer is eligible to receive delivery service from some other office - in which case Group D rates will apply].

[e] Which DMM Section covers each of the two items referred to in subpart d?

RESPONSE:

a-c. Current fee groups, as well as cost per square foot, are used to specify the fee groups proposed in this docket; see witness Kaneer's testimony, USPS-T-40 at 13. When recommending establishment in Docket No. R90-1 of Groups B and C, the Commission stated that the goal was "to recognize the disparity in space costs" in response to the Postal Service's proposal to add "geographic location as a third criterion for boxes with city carrier service." PRC Op., R90-1, Vol. 1 at V-400.

d. Not confirmed. Currently, nondelivery post offices – those independent post offices offering no form of carrier delivery service – are subject to Group D post office box fees at their main and subordinate facilities. Group E fees are applied to individual post office box customers, based on their physical location and ineligibility for carrier delivery service. Customers who apply for post office box

service at any facility may be entitled to Group E fees at that office if ineligibility for carrier delivery service is based upon a decision by the Postal Service.

e. DMM § D910.5.1.a, b and c.

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DBP/USPS-93.

[a] How is the geographic delivery ZIP Code boundary of a non-city delivery post office determined?

[b] How is the geographic delivery ZIP Code boundary of a non-delivery post office determined?

[c] Define and explain the term, "carrier delivery via an out-of-bounds delivery receptacle" as it appears in DMM Section D910.5.1a/b.

[d] If I live in the same building as a non-delivery post office is situated, what box rent group to I pay?

[e] Same as subpart d except a different post office has a rural or HCR route that passes the building.

[f] Confirm, or discuss and explain if you are not able to confirm, that I may place a rural/HCR box anywhere in the country [assuming that I receive the permission of the property owner] and therefore obtain mail delivery from the rural/HCR carrier when they pass by the box?

[g] If you confirm subpart f, explain who would be eligible to receive a Group E box?

[h] What are the rules for extending a city delivery, rural, or HCR route to cover additional delivery points?

RESPONSE:

a-b. The geographic delivery ZIP Code boundary of a post office is primarily a consequence of the street assignments to that ZIP Code. However, other factors, including physical topography and municipal relationships, may be taken into consideration as well. For example, a limited access highway may be utilized as a boundary between two ZIP Codes, due to its operational impact on carrier access and travel patterns. Developing territory on the perimeter of existing delivery areas may be incorporated into a ZIP Code, whether for reasons of municipal identity or operational convenience. By definition, a nondelivery post office has no delivery area, and therefore no geographic ZIP Code boundary. Instead, it has a ZIP Code reflecting the post office, any box section and its administrative functions.

c. See POM §§ 642.3 and 653.1, Note.

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d. The question contains insufficient information to permit answering it. However, if another post office provides carrier delivery service to your residence in the building, and you seek a box at the nondelivery post office, you pay the Group D fee. If you seek a box at another post office, you pay the fee appropriate to that post office (Group A, B, C or D). If no post office provides carrier delivery to your residence, you can obtain a Group E box at the nondelivery post office.

e. A carrier route may "pass" a building, but not be authorized to serve it as a delivery point. If the territory is assigned to the carrier route for delivery purposes (or will be assigned and delivered, should the customer request carrier service), then the box fee appropriate for the post office (Group D) would be paid. If the Postal Service declines to provide carrier service from any carrier route, you will be eligible for a Group E box.

f. You may not place a box "anywhere in the country" and receive delivery service, with or without landowner permission. Delivery service is provided to eligible residential or business locations. Receptacles for those physical locations must be associated with the service area they exist within.

g. If your residential or business location is ineligible for carrier delivery service, a post office serving territory in the vicinity may offer you the opportunity to erect a box on a carrier's line of travel. If you decline, you will be provided a Group E box.

h. See POM §§ 642, 644, 653, 654, and 666.

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DBP/USPS-94 [a] What is the average cost for delivering a piece of mail to a customer of a city delivery route [show the cost per 1000 letters in this subpart through subpart e to avoid rounding errors]? [b] What is the average cost for delivering a piece of mail to a customer of a rural carrier route? [c] What is the average cost for delivering a piece of mail to a customer of a HCR route? [d] What is the average cost for delivering a piece of mail to a post office box? [e] What is the average cost for delivering a piece of mail, regardless of the type of address? [f] If the response to subpart d is less than the response to subpart e, confirm, or explain if you are unable to confirm, that there is a savings to the Postal Service to deliver mail to a post office box. [g] If the response to subpart d is less than the response to subpart e, explain how the savings is factored into the rate for post office boxes.

(a) Postal Service costing does not allow direct computation of delivery costs into these types of component parts; thus 'delivery' costs include delivery personnel (city carriers, rural carriers, etc.), vehicle costs, building, depreciation, supervision, etc. Moreover, total pieces delivered are only available for city and rural carriers through the CCS and RCCS, respectively. Therefore, total delivery cost per piece is not readily available. One way of approximating city carrier delivery cost per piece is to use the piggyback methodology which takes direct costs and applies a piggyback to compute total costs. See Witness Smith's testimony, USPS-T-21. Using the piggyback methodology, for city carrier related delivery costs, the average cost per piece is 14.19 cents. Computation: Total CS 6 & 7, $12,076,181,000, (Library Reference USPS-LR-I-80, file CS06&7.xls, tab output to CRA) times the city delivery carrier piggyback, 1.358, (USPS-T-21, Attachment 10) divided by total CCS pieces, 115,560,099,000 (Library Reference USPS-LR-I-80, file I Forms, tab CS07 CCS).

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(b) See (a). Using the piggyback methodology, for rural carrier related delivery costs, the average cost per piece is 10.92 cents. Computation: Total CS 10, $3,678,215,000, (Library Reference USPS-LR-I-80, file CS06&7.xls, tab output to CRA) times the rural carrier piggyback, 1.242, (USPS-T-21, Attachment 10) divided by total RCCS pieces, 41,819,281,000 (Library Reference USPS-LR-I-80, file I Forms, tab CS10 RCS).

(c) See (a). The Postal Service is unable to compute a response, as it does not have figures for the cost to deliver to a HCR route or the number of pieces.

(d) See (a). The Postal Service is unable to compute a response. By definition, there are no 'delivery' costs; moreover, there is no figure for the number of pieces.

(e) See (a). The Postal Service is unable to compute a response. Total delivery costs are further complicated by expedited deliveries shown in CS 3.4. Although we have there are costs for this segment, there is no figure for the number of pieces.

(f) See (a) to (e).

(g) See (a) to (e).

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DBP/USPS-96 [a] Confirm, or discuss and explain if you are not able to confirm, that the Postal Service makes a business decision to not process a service in accordance with its own rules and advertisements to the public when there is a belief that it would cost more money to comply with the regulations than the penalty for not doing so. Some specific examples for which a specific individual response are: [b] Express Mail which will be impossible to achieve delivery by the guaranteed time will be accepted and the price of making the refund, if requested, is less than it would be to either fix the problem or increase the level of transportation/service. [c] Registered Mail which is handled as ordinary First-Class Mail as noted in the Inspection Service Area Coordination Audit Report on Special Services [USPS-LR-I-200] and the cost of paying a claim will be less than the cost to provide the proper handling of the mail. [d] Return Receipts which are completed by the addressee at a time after delivery without supervision of the Postal Service as mandated because it is easier for the Postal Service to complete them that way and save costs on the assumption that that the mailer will be unaware of the level of service, or non-service, that has been received [e] Insured Mail receives no special protection or handling enroute other than to have the addressee sign for it on the assumption that it is less expensive to pay the claims than to provide the service. [f] Normal collection times are not made as mandated in the POM because it is felt that it would cost too many hours to make the collections that are mandated in the POM and the belief that the mailing public will receive a satisfactory level of service even though it does not meet the requirements. [g] Same as subpart f except because it is felt that it would impact the arrival mail profile at the P&DC and would either require a capital expenditure for more equipment or a greater number of work hours than desired to process the mail for committed delivery standards. [h] Regularly scheduled collection times and retail window service hours are reduced or eliminated in the days on or surrounding holidays because it is believed that it will be possible to save hours while not inconveniencing the public. [i] If a collection box has a posted time on it, can the post office not make the collection by releasing a press story of the reduction to the news media - please limit your response to non-emergency conditions? [j] For each of the subparts above, explain whether the public would perceive the Postal Service's regulations, advertising, and/or claims to be valid, truthful, and/or meaningful with respect to the actual service being rendered as opposed to the service mandated, advertised, or claimed. [k] What action should a customer take when they observe or experience one of the conditions described above, or for that matter, have any concern or complaint regarding the operation of the United States Postal Service. [l] What action should a customer take when they are unable to receive a comprehensive response within 14 days as mandated by Section 165.1 of the POM? [m] If a customer initially contacts a local Postmaster to resolve a complaint or concern and does not receive a comprehensive response as noted above, please provide a complete listing of the job titles, as well as the order to be followed, which the customer should then contact, for example, District Manager, Area Vice President, etc.

DBP/USPS-96 Response

Not confirmed. In designing or implementing its procedures and networks, the Postal Service does not employ an estimate – whether explicit or implicit – of the point at which the

cost of improved service performance exceeds the costs of providing refunds or paying claims in response to service failures. Due to differences in local conditions, furthermore, there is no single answer to your inquiries regarding the appropriateness of certain local actions you cite or the public perceptions thereof. The Postal Service makes every effort to ensure that its policies and regulations are set forth in a straightforward manner, and that they accurately reflect the general conditions governing the provision of service for each product. However, it must be recognized that for an organization as large in size and scope as the Postal Service, that serves an extremely large and diverse nation, creation of an exhaustive set of such procedures is neither possible nor desirable. The Postal Service must maintain a balance between some level of centralized control over processes on the one hand, and local responsibility for financial and service performance and local autonomy for responding to local conditions on the other. Customers may direct unresolved complaints to the Postal Service's Consumer Advocate at Headquarters.

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DBP/USPS-97

[a] Confirm, or explain and discuss if you are not able to confirm, that the EXFC program has accomplished the following three results, [1] It has allowed the Postal Service to find the root causes for many of the items which delay the mail and correct them so as to improve the service. [2] It has caused the Postal Service to engage in a high cost system for error correction. For example, before EXFC was in place, a post office receiving a quantity of mail for another office in error, just sent the mail back to the P&DC for delivery on the following day. Now the mail will be specially brought over to the other office so that it can be delivered on the scheduled day. and [3] It has caused post offices to come up with creative methods of manipulating the EXFC score such as a post office making collections before 5 PM at box locations that are mandated to be collected at 5 PM or later so as to achieve a better mail arrival profile at the P&DC and therefore improve the likelihood of a higher EXFC score. [b] Provide and explain any other benefits of the EXFC program.

RESPONSE:

(a) Confirmed, as to part (1). Not confirmed, as to parts (2) or (3). Part (2) cannot be confirmed because it is based upon faulty assumptions and generalizations about pre- and post-EXFC sortation error correction practices. Part (3) cannot be confirmed, because it assumes that EXFC causes "manipulative" behavior on the part of individual postal employees. EXFC is not the cause of any "manipulative" behavior on the part of postal employees.

(b) A benefit of the EXFC program is that it gives an indication of service quality that postal management and employees can strive to improve and that the public can judge.

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DBP/USPS-98

[a] Please confirm, or discuss and explain if you are not able to confirm, that compensation for many Postal Service Installation Heads is affected by the EXFC results for their area of responsibility. [b] Other than the Installation Head [Postmaster / District Manager / etc.] provide a listing of the categories of Postal Service Managers whose compensation is affected by EXFC results. [c] Provide an explanation of the method by which the compensation is tied to the EXFC results. [d] Are all EXFC results utilized or is it limited to the overnight score only? [e] If only overnight, please explain why.

RESPONSE:

(a) Confirmed.

(b-e) Objections filed.

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DBP/USPS-99

[a] Confirm, or explain and discuss if you are not able to confirm, that EXFC is a measurement for First-Class Mail only. [b] Confirm, or explain and discuss if you are not able to confirm, that all EXFC test mail is prepaid at the single piece rate and is deposited in collection boxes. [c] Confirm, or explain and discuss if you are not able to confirm, that EXFC pieces are not sent by any of the presorted / automation rates. [d] Provide the results of any studies that have been made showing the extent to which the delivery times of presorted / automation rate First-Class Mail is achieved. [e] Provide the results of any studies that have been made which would allow the EXFC results to serve as a proxy for the automated / presorted mail. [f] Does the EXFC program check all types of First-Class Mail / by shape such as letter, flat, SPR etc., / by method of addressing such as printed, typewritten, or hand written / by method of postage prepayment such as stamped or metered? [g] What percentage of the country's total mail volume [of EXFC type of mail] is tested by the EXFC program? [h] Does the EXFC program make an effort to sample the origin-destination pairs, shape, method of addressing, and method of postage prepayment in proportion to the volume that exists within the entire universe? If not, why not. If so, provide copies of any study. If necessary, separate and discuss each separate criteria. [i] In the event that a post office wishes to eliminate collection from a collection box on a particular date and time, such as might occur on a holiday or a day surrounding a holiday, are they able to notify PriceWaterhouse in advance so that they will not deposit EXFC mail for that omitted collection time [even though the box is posted with that time]? [j] If the response to subpart i is yes, please provide a listing of all instances in which this was done in the past year.

RESPONSE:

(a) Confirmed.

(b) All of the principal single-piece First-Class Mail entry modes are used.

(c) Confirmed.

(d&e) None exist.

(f) Yes.

(g) Considerably less than one percent.

(h) No. It is not the objective of the program to absolutely, perfectly replicate every aspect of the First-Class Mail stream.

(i) Such activity is not consistent with EXFC.

(j) Not applicable.

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TO INTERROGATORIES OF DAVID POPKIN

DBP/USPS-100

[a] Confirm that both post cards and stamped cards may be mailed at the same 20-cent postage rate [proposed to be 21-cents]. [b] What is the average cost for acceptance, processing, and delivering a post card? [c] What is the average cost for acceptance, processing, and delivering a stamped card? [d] If separate data is not available, please explain why it is not collected. [e] Provide the existing and proposed cost coverage for the entire First-Class Mail card subclass and for the single-piece First-Class Mail card rates. [f] Confirm that, in general, the cost for handling post cards would be higher than for handling stamped cards. [g] Confirm that the following characteristics would tend to indicate that stamped cards would have a lower cost than post cards: they are more uniform in size, they are more likely to be have a printed address, they normally utilize the entire front of the card for the address. [h] Confirm that the following characteristics would tend to indicate that post cards would have a higher cost than stamped cards: they vary in size [between the authorized limits], they tend to have a glossy surface - both on the front and particularly on the reverse side, they are more likely to be hand addressed, and the left side of the card is normally utilized for a message rather than an address. [i] Explain and discuss any subparts that you are not able to confirm.

RESPONSE:

(a) Confirmed.

(b&c) The IOCS can only be used to obtain costs for single-piece cards in total. See USPS LR I-181. It is not possible to obtain separate costs for postcards or stamped cards. As a result, these data are not available.

(d) No need sufficient to warrant doing so has developed.

(e) See Exhibits USPS-32A and B.

(f-i) This cannot be confirmed because no studies have been undertaken to evaluate the specific mail characteristics and, therefore, the costs of processing postcards vs. stamped cards.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORY OF DAVID B. POPKIN

DBP/USPS-104:

Most of the rates charged by the Postal Service are weight related. In order to mail the article it may be necessary to affix various labels or other material to the article as well as affix stamps to cover the cost. Please advise whether the following items are included in the weight of the article in determining the proper postage [for example, a Return Receipt card weighs approximately 0.12 ounces]. [a] If I affix one to a 0.95 ounce letter do I pay the one ounce rate because of the original weight of the letter of 0.95 ounces or am I required to now pay the two ounce rate because of the new total weight of 1.07 ounces? [b] The postage stamp or stamps that are affixed to pay the postage. [c] A Certified Mail sticker. [d] A Delivery Confirmation sticker [e] An Insured Mail sticker [f] A Registered Mail sticker [g] An Express Mail address label [h] A C.O.D. Mail label [i] If your response to subparts c, d, e, g, and/or h is yes, am I permitted to remove the mailing receipt part prior to the weight being determined?

RESPONSE:

Whether or not the various labels and or stamps are included in the weight of the article for purposes of calculation of postage depends upon the specific circumstances. If stamps and labels are already affixed to the article before weighing, they will be included in the weight of the article. If, however, the article is presented to the clerk without (1) any affixed labels or (2) affixed stamps, the weight will not include items (1) and (2) in determining the applicable postage. Once an article is weighed by the clerk, labels or stamps affixed to the article by the acceptance clerk will not require a second weighing to determine postage.

RESPONSE OF UNITED STATES POSTAL SERVICE
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DBP/USPS-107. [a] Confirm that if I have merchandise weighing under thirteen ounces that I may either utilize First-Class Mail or Priority Mail or, as being proposed, Package Services. Neglect the ability to utilize Express Mail in these examples. [b] Confirm that if I have merchandise weighing between thirteen and sixteen ounces that it is the same as subpart a, except that I may not use First-Class Mail. [c] Confirm that if I have merchandise weighing over sixteen ounces that I may either utilize Package Services or Priority Mail. [d] Confirm, or explain if you are not able to do so, that a comparison of all of the characteristics of Package Services vs. Priority Mail, will show that, neglecting the price, Priority Mail will always be equal to or better than Package Services, i.e., the delivery standard for Priority Mail is faster, any parcel between 1 and 70 pounds [proposed to be any parcel up to 70 pounds] may be sent by either service with the same level of preparation, the place of mailing is either the same or better for Priority Mail, Priority Mail will have free forwarding and return, etc.

[v] What percentage of all parcels sent by Package Services or Priority Mail fall into those rate cells provided in response to subpart t?

[cc] Confirm that the rate for Express Mail will always be greater than that for Priority Mail. [dd] Confirm that the level of Service for Express Mail will always be greater than or equal to that for Priority Mail.

RESPONSE:

[a] Confirmed.

[b] Confirmed.

[c] Confirmed.

[d] Confirmed.

[v] The requested analysis has not been performed.

[cc] Confirmed.

[dd] Confirmed.

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DBP/USPS-110. Refer to the response to DFC/USPS-41[h]. [a] If a special Priority Mail collection box has a Sunday collection time listed on it, would that provide an expectation that the box would be collected and the mail processed on Sunday? [b] In a similar manner, if a mailer was advised by a retail window clerk at an open Sunday facility that the mail would be processed, would that provide an expectation of processing?

RESPONSE:

[a] No. The customer expectation should be that the mail will be collected. While limited Sunday processing may be performed in some processing plants, it does not imply that all mail collected [or received] by the Postal Service will in fact be processed.

[b] Yes. It is likely that a "knowledgeable retail clerk" providing a customer with information that mail would be processed would be correct with respect to Priority Mail tendered on that particular day. However, it should not be construed that all of the processed mail could be dispatched on Sunday (i.e., commercial air routings are limited on weekends and do not provide service to the same number of origin/destinations on Sunday as on a weekday), or that processing plants that are co-located with retail units that are open on Sunday do in fact process Priority Mail on Sunday on a regular basis.

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DBP/USPS-111. Refer to the response to DFC/USPS-T34-49, please provide a copy of the latest available PETE results.

RESPONSE:

See response to UPS/USPS-T34-26.

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DBP/USPS-115.

[a] Regarding the response to DBP/USPS-14, confirm, or explain and discuss if you are not able to confirm, that the level of service for the various delivery categories is the same for all offices in the country.

[b] Confirm, or explain and discuss if you are not able to confirm, that having a delivery made on a given day of the year contemplates that there will be new mail arriving at that office for delivery.

[c] Please confirm, or explain and discuss if you are not able to confirm, that the specific authority to have less than six days a week delivery relates to both on a permanent/semi-permanent basis as well as on a temporary or seasonal basis.

[d] Please reevaluate your POM reference under City Delivery Routes.

[e] Please provide regulatory reference which authorizes seasonal city delivery routes.

[f] Provide a definition for the term seasonal city delivery route which includes both the range of days per week and the weeks per year that will occur.

[g] Are all business customers who are either open on Saturday or have a mail receptacle which may be accessed by the carrier on a Saturday entitled to receive city delivery [unless they specifically request non-delivery on Saturday]?

[h] If not, why not?

[l [sic]] What is the official title of the Area Manager?

[j] With respect to delivery to post office boxes, provide a regulatory reference which authorizes service less than six days a week.

[k] Your response to the level of service at post office boxes states that service will be available when the post office is open and the post office box section is accessible. Is it required to have the post office open and the box section accessible six days a week?

[l] With respect to response [3], is it required to have the post office lobby open six days a week?

[m] If your response to subparts k and/or l is no, provide the reasons when it would not be and the regulatory authority authorizing it.

[n] Please enumerate the specifics of the limited authority that a Postmaster may have in those instances where it is mentioned.

[o] Please confirm, or explain and discuss if you are not able to confirm, that response [2] when taken together with response [1] and potentially responses [4] and [5] could allow for carrier delivery on a given day when there is no delivery to post office boxes - for example, even though the post office box section is not open and accessible on a Saturday [the most likely day for this to occur] carrier delivery must still be made that day.

[p] If your response to subpart o is confirmed, explain how one could consider post office box delivery to be a high value service when compared to carrier delivery

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since carrier delivery would occur on more days of the week than post office box delivery.

[q] Please provide the definition of the first word in your response, "Generally". Does it mean that there will always be six day a week delivery at all facilities and types of addresses unless a specific exception has been provided in your response? If not, provide all of the other conditions where six day a week delivery is not available.

[r] Please explain why it was necessary to utilize the word generally in your response for both post office boxes and General Delivery. Provide the specifics of any conditions which would allow for less than six days a week delivery.

RESPONSE:

a. Unable to confirm. This question is manifestly unclear. Postal regulations apply across the country, but service and delivery standards nonetheless vary from location to location.

b. Not confirmed. Arrival of mail at a facility, its further sortation, and its delivery are separate and independent actions. No inherent same day link exists among these three. Mail could arrive for delivery at or from an office in several distinct ways: by scheduled transportation of mail from a larger facility, by customers entering it, by carriers as they return from their routes, or by collection routes. In the smallest facilities, no mail may arrive for delivery at all. Sortation schedules depend upon the workload in the office, which is often cyclical. While most delivery is a once-a-day proposition, offices in business areas may not have scheduled carrier routes on Saturdays, and if they do not open they also are unlikely to put mail in post office boxes.

c. Unable to confirm. Needs for delivery are reviewed, with modifications made as appropriate, over time.

d. No specific cite should have been provided.

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e-f. The Postal Service applies the criteria in POM § 641.2 to effect seasonal route adjustments. No definition exists that is specific to days of the week or specific weeks.

g. That is generally what is expected and provided. However, no specific provision of law makes appears to make this an entitlement.

h. Not applicable.

I. Insufficient information is provided to permit formulation of an answer to this question.

j-k. No specific requirement that a facility be open six days a week exists. DMM § 125.22 reflects the fact that days and hours of operation are adjusted to reflect customer demand, from which lies the inference that specific local conditions vary. While DMM Exhibit 125.22 indicates that consecutive days without service should be avoided, the response to DBP/USPS-14 also indicates circumstances in which this may nonetheless occur. Saturday delivery to post office boxes may not be justified when there is little customer demand for the mail until the following Monday. Even if mail is placed in post office boxes on Saturdays, if the lobby is not open, access to boxes may not be available.

l. No. Main post offices and other postal units in business areas are usually open during the hours kept by that business community. Window service is provided on Saturday if there is demonstrated need. At units serving business areas, or facilities serving communities where many residents leave on weekends, retail service may be closed if service is available at other postal units, contract stations, or self-service postal centers.

m. See the response to DBP/USPS-84.

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n. As indicated in those responses, postmasters would have authority when and on the same terms as it is delegated to them by district managers.

o. The theoretical potential is confirmed. Moreover, it probably is not that rare for a station or branch to be closed on Saturday because it serves primarily a business clientele when residential delivery is nonetheless provided in the area.

p. This question inappropriately elevates an inherently local matter over the national level attributes of post office box service used to set fees. A specific customer's decision about obtaining post office box service would presumably be informed by a host of individualistic and local considerations. It would not be surprising for a customer obtaining post office box service in a business area where there is no Saturday delivery to attach low value to Saturday delivery.

q-r. The word "generally" quite capably speaks for itself. Information on specific local conditions is not available. See also the responses to DBP/USPS-14, DFC/USPS-T39-10, and other parts of this interrogatory.

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DBP/USPS-123

Please respond to the following questions under the headings and contexts of DBP/USPS-65 as follows:

(a) Confirm that the proper postage is a function of the size of the piece (namely one ounce pieces outside a certain range require a surcharge).

(b) Confirm that this would require that the carrier have a ruler or template to determine compliance.

(c) Confirm that carriers do not normally carry rulers or templates with them to the field.

RESPONSE:

(a) Confirmed.

(b) Confirmed.

(c) The Postal Service has not conducted a survey to determine the frequency with which carriers take their templates (or rulers) with them while out of the office on their routes.

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DBP/USPS-142 Please refer to your response to DBP/USPS-18.
[a] Is the address referred to in my subpart a an earlier or later address than your response to subpart a?
[b] Please reevaluate your response to subpart b since I have seen at least two versions.
[c] The copy of the survey form[s] was not provided in the electronic PDF version. Please provide.
[d] The response to subpart j was misread. I realize that the forms are not distributed at the post office but are mailed to customers of that post office. Please reanswer the original question.
[e] Refer to your response to subpart k and provide the precision and confidence levels for evaluation of a single post office as opposed to the entire Performance Cluster.
[f] Your response to subpart l was misread. I realize that the sending of the forms to customers is made as you describe. What I was referring to was the potential likelihood of a dissatisfied customer being more, or perhaps even less, likely to return the form than a satisfied customer. Please respond to the original questions and also please indicate the overall percentage of forms that are returned by the public.
[g] Should the last word on the second line of the response to subpart n be maximum or minimum? If maximum, what is the minimum number?
[h] A specific response to the level of confidence for a single office with 10,000 deliveries and 4 or 5 responses was not provided. Please provide.
[i] Confirm, or explain and discuss if you are not able to confirm, that these survey forms should not be utilized to evaluate a single office but rather an entire Performance Cluster.

RESPONSE:

a) Earlier

b) The original response, i.e., "One version is currently used for residential

customers," is correct; however, this version is printed in two languages:

English and Spanish.

c) Copies of the survey form are not available in PDF format.

d) The number of forms distributed is dependent upon the proportion of residential

addresses in the area served by a post office within a three-digit ZIP Code area. The

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current survey plan calls for a minimum target sample of 1067 in each performance cluster. The target sample within a three-digit ZIP Code area is set consistent with this requirement.

e) The precision of the estimates for a single post office are dependent upon the number of surveys received from the area served by that post office, and the estimated proportion of respondents answering a question in a particular way. The mathematical relationship is as follows:

if p = proportion of surveyed customers making a particular response choice or one of a group of choices

if q = proportion of surveyed customers making any other response choice

if z = 1.96 (value for a 95% confidence interval)

if n = total number of respondents

then, the precision of the estimate expressed as a percentage is:

d= 100 * (square root of ((z squared) * p * q / n))

f) In 1996, Market Facts concluded that there was no evidence of nonresponse bias for the overall performance question in the predecessor Customer Satisfaction Index system. The national response rate for the residential survey is currently 30 percent.

g) Maximum. The precision requirement is at the Performance Cluster level. The minimum sample size requirement would be less than 1067 if the proportion (p value) being estimated is not exactly 50 percent. Refer to the formula stated in section [e] to determine the minimum sample size at other values of p ranging from p=0.05 to

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p=0.95 . For values p < 0.05 or p > 0.95, a conservative estimate of the minimum sample size may be obtained by using 0.05 or 0.95, respectively.

h) Refer to the formula provided in section [e]. A more specific response is not possible since no p value is provided.

i) A single office may be evaluated using CSM data, provided that the statistical range is properly considered.

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DBP/USPS- 165 Please refer to your response to DBP/USPS-55. Please advise the specific responses to DFC/USPS-T10-8 which respond to each of the specific subparts that I asked in my original inquiry. For any subparts that you are not able to provide this reference, please provide a responsive answer to my inquiry.

RESPONSE:

While some of this information is provided in response to DFC/USPS-T10-8(h), for simplicity here are new responses to the parts of interrogatory DBP/USPS-55.

a) All mail processing facilities are now equipped with a device on a DBCS or CSBCS machine which will automatically "trap" a Certified Mail article by the presence of the phosphorous ink on the new Certified Mail label.

b) See a) above.

c) See a) above.

d) Unless mail is processed in the manual operations or the older version of the Certified Mail label (no phosphorous ink) is used, which captures Certified Mail manually, then 100% of the mail run through a DBCS and CSBCS machine is subjected to the Certified Mail detector.

e) Not applicable.

f) See a) above.

g) All facilities with DBCS and CSBCS machines are equipped with a Certified Mail detector.

h) See g) above.

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DBP/USPS-167

Please refer to your response to DBP/USPS-67(c). Your response is confusing since you state that District Manager rather than the COO/EVP approval is appropriate and that you indicate that no exceptions have been approved by the COO/EVP. [a] Please clarify and reanswer if necessary. [b] If District Manager approval is required, will the POM be corrected and have any exceptions been approved by a District Manager?

RESPONSE:

The POM will be corrected. The DMM appears to be correct. No exceptions have been approved by the COO and EVP. The Postal Service has not surveyed District Managers to see how they administer these local decisions.

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DBP/USPS-170 Please refer to your response to DBP/USPS-75. [a] If I were to change my original subparts a and b to state that with the exception to retail window hours on a Sunday, does the USPS have a requirement .... , what would the response to subpart a and b be? [b] If not, an unqualified yes, please provide all instances where it would not be so. [c] If an article is mailed on at a retail window on Sunday and a date is noted on the article such as might be on the Express Mail label, the postmarking of the flaps on a Registered Mail article, the PVI strip, etc. or is noted on a mailing receipt, is the date shown as Sunday or as the following business day? [d] Please provide a comprehensive listing of those instances where it would not be possible to meet the conditions specified in subpart c. [e] If an article was not processed on the same day as it was collected, how would that affect the EXFC results?

RESPONSE:

a. No.

b. We have been unable to identify a "requirement," per se, that mandates the operational practices described. Nonetheless, the Postal Service generally considers itself committed to conforming to those practices with some exceptions. One exception, which may or may not fall within the terms of the question because of the ambiguity of the phrase "placed into the system," would be instances in which the mail piece is "placed into the system" by deposit in a collection box after the last collection of the day. Other exceptions would relate to retail offices which are open for business after the last dispatch of the day to the processing facility. This might happen, for example, in an office that is open until 5 PM, when the last dispatch is made by a Star Route contractor who picks the mail up at 4 PM. Under those circumstances, there is no feasible way to have processed that day mail which is tendered at the window after 4 PM. The expectation would be, however, that the post office staff would inform mailers tendering mail after the dispatch of that situation.

c.-e. Objection filed.

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DBP/USPS-171 Please refer to your response to DBP/USPS-76[d/e]. These subparts requested data on costs which was [sic] not provided. Please provide.

RESPONSE:

There is nothing to provide. The question asked whether costs would change if something were to happen, when, in fact, as explained in the answer to 76c.-e., that something already happened twelve years ago. Because it has already happened, and because that status quo is already reflected in the current costs, there are no data relating to any hypothetical new change in costs to report.

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DBP/USPS-172

Please refere to your response to DBP/USPS-77[f]. [a] Once a specific five-digit ZIP Code is utilized for one or more "No Office Point" address, such as 99950 in your example in subpart [e], is that same five-digit ZIP Code utilized for any non-No Office Point address? [b] If so, provide specific details. [c] Provide a complete listing of all five-digit ZIP Codes, and their associated post office name, that are utilized for one or more "No Office Point" addresses. [d] Is the No Office Point concept utilized anywhere else besides Alaska? If no, please provide details. [e] What Fee Group is charged for the rental of the post office box referred to in a No Office Point address? [f] Is there a physical box associated with the Post Office Box referenced in a No Office Point address? [g] At what point in the chain [starting when the article is mailed and ending when the addressee actually obtains the article] does the custody of the mail transfer out of the control of the United States Postal Service to the control of the addressee or agent? [h] What costs associated with this service are paid for by the USPS and what costs are paid for by the customer? [i] How are the costs paid for by the USPS accounted for in this rate

RESPONSE:

(a). Yes. The unique no-office point ZIP Codes (99695, 99696, 99790, 99850, and 99950) contain all the applicable no office points within the administrative offices of Anchorage, Kodiak, Fairbanks, Juneau and Ketchikan. If a no-office point in the 99850 area suddenly receives transportation only through Sitka, then that office would use a phantom post office box address through Sitka and be dropped from the 99850 ZIP Code file.

(b). The following no-office points are attached to 99950:

Bell ISLAND	PO BOX KBE	99950-0001
CAPE POLE	PO BOX CZP	99950-0010
DEEP BAY	PO BOX DPB	99950-0030
EDNA BAY	PO BOX EDB**	99950-0040

** EDNA BAY has become a public service contract facility and now

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shares Ketchikan's 99901 ZIP Code. There are more offices attached to the Ketchikan no-office point ZIP Code, this listing was shown to clarify the question about how many offices would use the unique ZIP Code.

(c). Providing a listing of each post office and its associated no-office point is attached. We do not tract no-office points beyond the current ZIP Code as it does not affect mail transportation. Since no-office point names do not show up in our products, we do not have a cross reference listing. We made the attached local facility listing to list those points separately. We have not edited the list recently. Several NOPs closed in the Kodiak area due to the airline carrier removing service to many of the sites.

(d). To my knowledge, the No-office point concept is not used anywhere else except Alaska. In my initial response, I stated that the concept originated through the Essential Air Service provisions set forth to ensure small Alaskan communities received some type of transportation.

(e). There is no fee group for the post office box address used by the No-office point community. The post box address everyone in the community uses is a phantom number established solely to permit the sortation of the community's mail from the administrative post office who would use the same ZIP Code, or to allow the administrative office to determine which community to dispatch the mail when that administrative office processed mail for more than one no office point community. There are no postal services within a no-office point, hence, there can be no post office box rents. Under the current post office box regulations, these customers would be eligible for Group E rates in their administrative post offices if they chose to use a post office box for their mail.

Attachment to Response of the United States Postal Service to Interrogatory DBP/USPS-172(page 1 of 2)
nop

ALEXANDER CREEK (NOP)	P O BOX ACR	ANCHORAGE	AK	99695-0020
IVANOF BAY (NOP)	P O BOX KIB	ANCHORAGE	AK	99695-0050
BELUGA (NOP)	P O BOX BLG	ANCHORAGE	AK	99695-0100
PORT MOLLER (NOP)	P O BOX PML	COLD BAY	AK	99571-8999
FALLS BAY (NOP)	P O BOX FLJ	CORDOVA	AK	99574-8994
PORT SAN JUAN (NOP)	P O BOX PJS	CORDOVA	AK	99574-8995
ICY BAY (NOP)	P O BOX ICY	CORDOVA	AK	99574-8996
ELLAMAR (NOP)	P O BOX EMA	CORDOVA	AK	99574-8997
CAPE YAKATAGA (NOP)	P O BOX CYT	CORDOVA	AK	99574-8998
BOSWELL BAY (NOP)	P O BOX BES	CORDOVA	AK	99574-8999
PORTAGE CREEK (NOP)	P O BOX PCA	DILLINGHAM	AK	99576-8998
EKUK (NOP)	P O BOX KKU	DILLINGHAM	AK	99576-8999
GULKANA (NOP)	P O BOX GKN	GAKONA	AK	99586-8999
MCCARTHY (NOP)	P O BOX MXY	GLENNALLEN	AK	99588-8998
MAY CREEK (NOP)	P O BOX MYK	GLENNALLEN	AK	99588-8999
RED MOUNTAIN (NOP)	P O BOX RDO	HOMER	AK	99603-8999
POPE VANNOY LANDING (NOP)	P O BOX PVY	ILIAMNA	AK	99606-8999
UGASHIK (NOP)	P O BOX UGA	KING SALMON	AK	99613-8998
ALENEVA (NOP)	PO BOX AED	KODIAK	AK	99697-0010
KITOI BAY (NOP)	P O BOX KKB	KODIAK	AK	99697-0020
MOSER BAY (NOP)	P O BOX KMY	KODIAK	AK	99697-0040
~~OLGA BAY (NOP)~~	~~P O BOX KOY~~	~~KODIAK~~	~~AK~~	~~99697-0050~~
PORT BAILEY (NOP)	P O BOX KPY	KODIAK	AK	99697-0060
PORT WILLIAMS (NOP)	P O BOX KPR	KODIAK	AK	99697-0090
TERROR BAY (NOP)	P O BOX KTY	KODIAK	AK	99697-0130
UGANIK BAY (NOP)	P O BOX UGI	KODIAK	AK	99697-0140
~~UYAK (NOP)~~	~~P O BOX KUY~~	~~KODIAK~~	~~AK~~	~~99697-0150~~
WEST POINT (NOP)	P O BOX KWP	KODIAK	AK	99697-0170
ZACHAR BAY (NOP)	P O BOX KZB	KODIAK	AK	99697-0200
ALITAK (NOP)	P O BOX ALZ	KODIAK	AK	99697-0210
AMOOK (NOP)	P O BOX AOS	KODIAK	AK	99697-0220
SEAL BAY (NOP)	P O BOX SYB	KODIAK	AK	99697-0230
HEALY LAKE (NOP)	PO BOX 60300	FAIRBANKS	AK	99706-0300
BIRCH CREEK (NOP)	P O BOX KBC	FT YUKON	AK	99740-8999
CANDLE (NOP)	PO BOX CDL	KOTZEBUE	AK	99752-8999
SOLOMON (NOP)	P O BOX SOL	NOME	AK	99762-8997
PORT CLARENCE (NOP)	P O BOX KPC	NOME	AK	99762-8998
TIN CITY (NOP)	P O BOX TNC	NOME	AK	99762-9999
BOUNDARY (NOP)	P O BOX BYA	TOK	AK	99780-8998
CHISANA (NOP)	P O BOX CZN	TOK	AK	99780-8999
WISEMAN (NOP)	HC 65 BOX 9801	FAIRBANKS	AK	99790-9801
FALSE ISLAND (NOP)	P O BOX FAK	SITKA	AK	99835-8996
EXCURSION INLET (NOP)	P O BOX EXI	JUNEAU	AK	99850-0090
FUNTER BAY (NOP)	P O BOX FNR	JUNEAU	AK	99850-0140
HOBART BAY (NOP)	P O BOX HBH	JUNEAU	AK	99850-0190
FRESHWATER BAY (NOP)	P O BOX FRP	JUNEAU	AK	99850-0350
CUBE COVE (NOP)	P O BOX CVW	JUNEAU	AK	99850-0360
BELL ISLAND (NOP)	P O BOX KBE	KETCHIKAN	AK	99950-0001
CAPE POLE (NOP)	P O BOX CZP	KETCHIKAN	AK	99950-0010
DEEP BAY (NOP)	P O BOX DPB	KETCHIKAN	AK	99950-0030
EDNA BAY	P O BOX EDB	EDNA BAY	AK	99950-0040
HOLLIS (NOP)	PO BOX HYL	KETCHIKAN	AK	99950-0070

Attachment to Response of the United States Postal Service to
Interrogatory DBP/USPS-172(page 2 of 2)
nop

LORING (NOP)	P O BOX LRG	KETCHIKAN	AK	99950-0090
NEETS BAY (NOP)	P O BOX FIC	KETCHIKAN	AK	99950-0160
PORT ALICE (NOP)	P O BOX PTC	KETCHIKAN	AK	99950-0170
PORT PROTECTION (NOP)	P O BOX PPV	KETCHIKAN	AK	99950-0180
TOKEEN (NOP)	P O BOX TKI	KETCHIKAN	AK	99950-0230
VIEW COVE (NOP)	P O BOX LIJ	KETCHIKAN	AK	99950-0250
WATER FALL (NOP)	P O BOX KWF	KETCHIKAN	AK	99950-0270
WHALE PASS (NOP)	P O BOX WWP	KETCHIKAN	AK	99950-0280
FIRE COVE (NOP)	P O BOX FIC	KETCHIKAN	AK	99950-0290
LAB BAY (NOP)	P O BOX WLB	KETCHIKAN	AK	99950-0310
YES BAY (NOP)	P O BOX WYC	KETCHIKAN	AK	99950-0320
HAPPY HARBOR (NOP)	P O BOX KXA	KETCHIKAN	AK	99950-0330
KASAAN CONTRACT BRANCH	P O BOX KXA	KASAAN	AK	99950-0340
LONG ISLAND (NOP)	P O BOX LIJ	KETCHIKAN	AK	99950-0350
POLK INLET (NOP)	P O BOX POQ	KETCHIKAN	AK	99950-0370
NAUKATI BAY (NOP)	P O BOX NKI	KETCHIKAN	AK	99950-0550

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORY OF DAVID B. POPKIN

(f). No physical box is used for the no office point community. This is only a second line address established to meet the requirements of Postal Addressing Standards and to provide the community a standardized mailing address.

(g). The Postal Service's responsibility ends when the airline carrier drops the mail at the no-office point drop location or to the authorized agent for the community.

(h). The Postal Service pays for the mail transportation to and from the no-office point. The customer only pays for postage like any customer.

(i). I think Postal Service Transportation experts in Washington DC would be able to address this question more accurately. In my opinion, the costs associated with transporting mail in Alaska have been tied back to the essential services requirements. Under that arrangement, no-office point service is legitimate transportation expense and lumped in with all the transportation costs for during business in Alaska.

RESPONSE OF UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF DAVID B. POPKIN

DBP/USPS-178. Please refer to your response to DBP/USPS-84. [a] Please provide an estimate of the response to the data requested in the original subparts a and c. [b] Do I understand that you are stating that the word "should" in the POM Section 126.44 is advisory rather than mandatory? [c] If so, what guidelines are established which would allow for not following the advise [sic]? [d] Are there facilities that normally only have one employee on duty during normal window service hours? [e] Are they allowed to discontinue window service and box access during those times? [f] Have any guidelines, other than that contained in POM Section 841.74, been provided as to the when box sections may be open when no employee is on duty? [g] If so, please provide.

RESPONSE:

a. No additional information is available. A safe bet would be that the percentages of lobbies and post office boxes available 24 hours per day is more than none and less than all, with a best guess that the number is below 50 percent.

b. The word "should" speaks for itself and does not mean "mandatory."

c. No guidelines regarding the definition of "should" have been issued. See also the response to DBP/USPS-84(b).

d. Yes.

e. This question is unclear. Many small offices are manned by only one employee, who do what they can to provide service to customers. Post office boxes, a service window, and any mailhandling area may be located within a (partitioned) single room, even if rest room facilities are not. See also the response to DBP/USPS-84(b).

f-g. Not that we have been able to identify.

RESPONSE OF UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF DAVID B. POPKIN

DBP/USPS-179. Please refer to your response to DBP/USPS-92. Which DMM Section specifically indicates that a customer who is not entitled to free delivery is entitled to a free box [Fee Group E]?

RESPONSE:

This question is already answered by the response to DBP/USPS-92. To the extent some other question was intended to be posed, *see gen'ly*, DMM § D910.

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

DFC/USPS-1. Please confirm that the Postal Service, in February 1988, eliminated Sunday collections and outgoing mail processing for First-Class Mail at post offices in most cities on most Sundays.

Response.

Confirmed.

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

DFC/USPS-2. Please provide the docket or proceeding number at the Postal Rate Commission associated with the Postal Service's request, under 39 U.S.C. § 3661(b), for an advisory opinion on the elimination of Sunday collections and outgoing mail processing at most post offices on Sunday.

RESPONSE:

No such proceeding was initiated. These actions occurred when the Postal Service was "on budget" for federal budget purposes, in the context of a legislative directive to reduce operating expenses as part of a broader-based federal budget deficit reduction program (Omnibus Budget Reconciliation Act of 1987, Public Law 100-203).

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

DFC/USPS-3. Please provide an explanation of the Postal Service's current policy on Sunday collections and outgoing mail processing of First-Class Mail. Please include documents and directives.

Response.

The Postal Service policy is not to conduct Sunday collections or outgoing processing of First-Class Mail except during the holiday season or as a contingency for unusual circumstances. A copy of the 1988 memorandum establishing this policy is attached.

Attachment
Response to DFC/USPS-3
Page 1 of 4

THE DEPUTY POSTMASTER GENERAL
Washington, DC 20260-0050

January 22, 1988

MEMORANDUM FOR REGIONAL POSTMASTERS GENERAL

SUBJECT: Reduction of Window Operations and Elimination of Sunday Collections and Outgoing Processing

As indicated in my memorandum of January 15, a group of Headquarters and Regional Representatives has been developing implementing instructions for a reduction of window operations and the elimination of Sunday collections and outgoing processing. These efforts have recently been completed and the resultant guidelines are attached.

As a practical matter, these instructions could not address every possible operating scenario that will be faced by our Field Managers. They do, however, spell out the intent of these strategies and address the key factors which have to be considered during implementation. Perhaps the most significant of these considerations are those pertaining to the Labor Relations issues associated with these initiatives. While we all recognize the impacts these changes will have on our employees, it is imperative that those impacts be minimized to the extent possible and that all applicable provisions of the National Agreements be strictly adhered to. Similarly, impacts on our customers can be lessened through a common sense approach to implementation. This is particularly true in the window services area where the implementing guidelines offer various alternatives which, if carefully chosen based upon local conditions, can minimize customer dissatisfaction.

In order to ensure capture of the savings associated with these two strategies, it is imperative that implementation occur without delay. Accordingly, it is expected that window service adjustments will be effective February 13, 1988 and elimination of Sunday collections and outgoing processing will be effective February 14, 1988. Each Region must ensure that all Field Managers are fully aware of the intent of these initiatives and that implementation is uniformly applied within the guidelines presented in the attached instructions. Any deviations or exclusions from these strategies must have the approval of the Regional Postmaster General.

Internal and external communications must be controlled to ensure correct and consistent information. The Marketing and Communications Department has disseminated a publicity plan to address these needs, as well as language for use in press releases and customer responses. Additional material will be forwarded as it is developed.

When allocations for these workhour reductions are finalized, you will be advised through the Department of the Controller. As noted in my January 15 memorandum, that Department and the Regional Directors of Finance have the responsibility for coordinating the tracking and monitoring of these programs.

In order to expedite receipt of these instructions by the field, I am, by copy of this memorandum, providing them to the Division General Managers/Postmasters.

Michael S. Coughlin

Attachment

cc: CPC Members
Div. GMs/PMs

SUNDAY COLLECTION
and
OUTGOING MAIL PROCESSING GUIDELINES

In a further effort to reduce Postal Service costs as required by recent Congressional budget actions, Sunday collections and outgoing distribution operations are to be eliminated. These reductions must result in fully recoverable and identifiable cost savings. In implementing this program, the following guidelines must be observed:

- Sunday originating mail preparation and distribution operations are to be discontinued.
- Sunday collections are to be discontinued. (See second paragraph, next page.)
- Opening units (operations 110-129) and platform operations (210-239) should be minimally staffed to control inbound and transit volumes and to process Express Mail and Special Delivery.
- Transit operations will be maintained.
- Area Distribution Centers (ADCs) and State Distribution Centers (SDCs) will appropriately staff MMP and State Distribution Operations to ensure distribution and dispatch of those transit volumes.
- Express Mail and Special Delivery operations (processing and delivery) must continue without impact.
- Bulk Mail Centers (BMCs) and Auxiliary Service Facilities (ASFs) will continue to operate at present levels.
- AMF normal transfer functions will be maintained but distribution activities (if any) will be scaled back to incoming and transit volumes only.
- Drop shipments (newspapers) should be planned for and processed on the day of receipt.
- Transit parcel post and second-class mailings must continue to move normally.
- All transportation schedules should be reviewed for possible elimination or reduction.

- Operating plans should be reviewed and changes made as appropriate to accommodate this operating scenario and to ensure that Monday operations are appropriately staffed.

- Collection box decals must be altered to reflect revised collection operations. (Heavy volume collection boxes can be swept to eliminate overflow but volumes collected should not be cancelled on Sunday.)

- In implementing these guidelines, consideration must be given to minimizing the impact on our customers.

- Detached Mail Units (DMUs) and Bulk Mail Acceptance Units (BMAUs) operations shall continue without change.

- Callers who normally pick up mail on Sunday need to be accommodated.

- Locations that are now involved in the acceptance, distribution and delivery of Social Security, Retirement, and/or other types of Federal and State entitlement program checks must ensure that staff is available to process those volumes in order to meet the programmed delivery day.

- Implementation of these guidelines is effective February 14, 1988.

Questions regarding these instructions should be directed to the Office of your Regional Director, Operations Support.

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

DFC/USPS-4. Please confirm that most customers do not have access to outgoing mail processing on most Sundays for First-Class Mail without travelling a significant distance (at least 50 miles) from their home. If you do not confirm, please explain.

Response.

Confirmed.

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

DFC/USPS-5. Please confirm that some customers have access to outgoing mail processing on most Sundays for First-Class Mail in their home town or by travelling a distance less than 50 miles from their home. If you do not confirm, please explain.

Response.

Not confirmed. See DFC/USPS-3.

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

DFC/USPS-6.
a. Please confirm that the Postal Service offers retail window services on Sundays in some cities that do not process outgoing First-Class Mail on most Sundays. If you do not confirm, please explain.
b. For the retail window services describes in (a), does the Postal Service inform customers, either verbally or via signs, that their outgoing First-Class Mail will not be processed until Monday?

Response.

a. Confirmed.

b. Customers are generally informed via signs or verbally.

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

DFC/USPS-7. Please confirm that, all else equal, customers would value having outgoing processing of First-Class Mail on Sundays more than they would value not having outgoing processing of First-Class Mail on Sundays.

Response.

It is quite possible that many customers are indifferent to the presence or absence of outgoing processing on Sundays, although we are not aware of any surveys on this question. Nonetheless, for those customers that do have a preference, all else equal, the preference would certainly seem more likely to be to value the presence of such processing, rather than its absence. Of course, all else is not equal and Sunday processing generally would increase costs without having any direct impact on service standards for First Class Mail.

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

DFC/USPS-8.

a. Please provide a list of processing plants that regularly process outgoing First-Class mail on Sundays and the reasons why these plants process outgoing First-Class Mail on Sundays while most plants do not.
b. Does the Postal Service consider the outgoing Sunday mail-processing at the plants listed in (a) to be an operating procedure that reduces Postal Service costs overall? Please explain. If so, might Sunday mail processing, if reinstated, reduce overall costs at other plants, too?
c. For the plants listed in (a), please list all other processing plants that send their outgoing mail on Sundays to the plant that processes outgoing mail on Sundays.

Response.

a. We are not aware of any plants that regularly process outgoing First Class collection mail on Sundays. However, to better serve the public, many plants process some outgoing missent, forwarded or returned-to-sender First Class Mail on Sundays. At large plants, such processing may be so frequent as to be construed as regular.

b. No plants listed in a.

c. No plants listed in a.

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

DFC/USPS-9.

a. Please confirm that some processing plants do not process outgoing First-Class Mail on Saturdays and instead send their mail to another plant for processing. If you do not confirm, please explain.
b. Please confirm that the arrangements described in (a) exist to reduce costs.
c. In which year or years did the arrangements described in (a) begin to be implemented?
d. Please confirm that the arrangements described in (a) were not commonly used when outgoing processing of First-Class Mail was eliminated at most processing plants on most Sundays. If you do not confirm, please explain.
e. Has the Postal Service considered employing the model described in (a) to reinstate processing of outgoing First-Class Mail on Sundays at processing plants nationwide?

Response.

a. Some processing plants send their Saturday outgoing First Class Mail to another plant to be processed on Saturday.

b. Confirmed.

c. About ten years ago.

d. Confirmed.

e. No.

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

DFC/USPS-10. Please confirm that customers who do not have local access to processing of outgoing First-Class Mail on most Sundays and who do not receive First-Class Mail that was deposited and processed on Sundays are, nevertheless, paying for this Sunday processing through their First -Class postage rates.

RESPONSE:

Since it would be impossible as a practical matter to administer a ratemaking scheme under which the rate charged for each piece of letter mail would be based on the totality of the unique cost characteristics of that letter, any realistic ratemaking system involves rate averaging, the inevitable consequence of which is payment by some mailers of rates based on a cost base which includes some costs incurred for operations not required to handle their mail, as suggested by your question. However, note that although Sunday mail processing of originating mail may occur occasionally (e.g., during the holidays, to reduce the strain on Monday processing), the Postal Service is unaware of any plants where it is done on a regular basis. Please see the responses to DFC/USPS-3 and 8. Therefore, the premise for your question is unclear.

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

DFC/USPS-11. Please explain why providing outgoing processing of First-Class Mail on Sundays in some regions but not in others does not discriminate against customers who do not live in the regions with Sunday processing and in favor of customers who do live in regions with Sunday processing.

RESPONSE:

Please see the responses to DFC/USPS-3 and 8, which suggest that the premise of this question is contrary to regular mail processing practices and policies. Moreover, even if some isolated exceptions to these practices and policies could be identified, they would have no bearing on a ratemaking process in which uniform First-Class letter rates are established which intentionally involve significant rate averaging. In maintaining a national network with service goals that cover wide ranges of geographical and other differences, it is impossible to treat all customers the same. Some customers will have to be at the beginning of a carrier's delivery route and receive their mail earlier in the day, and some customers will have to be at the end of the route, and receive their mail later in the day. Some customers will live near the collection box with the earliest "last scheduled" pickup, and some customers will live near the collection box with the latest "last scheduled" pickup. Some customers will live near a large airport and will obtain the advantage of good air transportation links, while others will live a great distance from any large airport and will not. Whether one considers these differences to be "discrimination," or to constitute a "lower value of service," is fundamentally irrelevant to the ratemaking process, which is incapable of either resolving these differences, or distinguishing between customers with rates that reflect each and every one of these differences.

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

DFC/USPS-12. Suppose two customers, one living in San Francisco and one living in an area served by a processing plant that regularly processes outgoing First-Class Mail on Sundays, place equal value on the ability to have outgoing First-Class Mail processed on Sundays if they deposit the mail at their local post office. Please confirm that the customer who lives in San Francisco receives a lower value from his First-Class Mail service than the customer who lives in the area served by a processing plant that regularly processes outgoing First-Class Mail on Sundays. If you do not confirm, please explain.

RESPONSE:

Please see the responses to DFC/USPS-3 and 8, which suggest that the premise of this question is contrary to regular mail processing practices. Also, please see the response to DFC/USPS-11.

Response of United States Postal Service
to
Interrogatories of Douglas F. Carlson

DFC/USPS-13.

(a) For Docket Nos. R94-1, R97-1, and R2000-1, please provide the percentage of the total costs for certified mail, return receipt, and return receipt for merchandise that are attributable to window-service costs.

(b) Please provide the percentage increase in the window-service costs for certified mail, return receipt, and return receipt for merchandise between Docket Nos. R97-1 and R2000-1.

(c) Please provide the average length of a window transaction. Please provide this information for Docket Nos. R97-1 and R2000-1.

(d) Please provide the average length of a window-service transaction for certified mail, return receipt, and return receipt for merchandise. Please provide this information for Docket Nos. R97-1 and R2000-1.

Response:

(a) The percentages of the total costs for certified mail, return receipt and return receipt for merchandise that are attributable to window-service costs are listed below:

Docket No.	Certified Mail	Return Receipt[1]	Return Receipt For Merchandise[1]
R94-1	15%	27%	22%
R97-1	12%	26%	21%
R2000-1	12%	24%	8%

[1] In R94-1, return receipt and return receipt for merchandise each featured two offerings: (1) showing to whom and date delivered and (2) showing to whom, where, and date delivered. The percentages for each are weighted using the weighting factor discussed in USPS-T-30, p. 12.

Response of United States Postal Service
to
Interrogatories of Douglas F. Carlson

(b) The percentage increases in the window-service costs for certified mail, return receipt, and return receipt for merchandise between Docket Nos. R97-1 and R2000-1 are listed below:

	Certified Mail	Return Receipt	Return Receipt For Merchandise
% Increase from R97-1 to R2000-1	30%	19%	(24)%

(c) Using data from a 1996 window service transaction time study, provided by witness Brehm in Docket No. R97-1 (USPS-T-21), the average length of a time for a single component window service transaction is computed to be 70.6 seconds, and for all transactions, single and multiple, the average is 80.5 seconds. No new transaction studies have been done since 1996, so the figures 70.6 and 80.5 seconds are applicable to both Docket No. R97-1 and Docket No. R2000-1.

(d) The average length (in seconds) of a window-service transaction for certified mail, return receipt, and return receipt for merchandise appears below:

Response of United States Postal Service
to
Interrogatories of Douglas F. Carlson

Docket No.	Certified Mail (seconds)	Return Receipt (seconds)	Return Receipt For Merchandise (seconds)
R97-1	86.65	24.69	111.34
R2000-1	86.65	24.69	86.65

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF DOUGLAS CARLSON

DFC/USPS-14

a. Please describe the "mystery shopper" program and provide relevant documents explaining the program.

b. Please describe the extent to which this program has been deployed nationally.

c. Please provide the timetable during which this program has been or will be deployed.

d. Please provide a copy of the checklist or other rating sheet that the mystery shopper completes after visiting a retail window.

e. Please confirm that window clerks are encouraged or required to ask customers particular questions during each transaction, such as informing them of the opportunity to pay by credit card or debit card. If you do not confirm, please explain.

f. Please provide the name of the program that encourages or requires window clerks to ask the questions described in (e).

g. Please confirm that the program described in (f) may increase the amount of time devoted to a particular window transaction compared to the amount of time that would have been required for that transaction absent the additional questions. If you do not confirm, please explain.

h. Please provide the additional amount of time that the program described in (f) has added to the typical window transaction for Docket Nos. R97-1 and R2000-1. If this information is not available, please explain why it is not.

i. Please confirm that the costs associated with the additional time that the program described in (f) has added to the length of the typical window transaction are attributed to the types of transactions in which the customer was engaged (e.g. if the transaction is certified mail, the costs are attributed to certified mail). If you do not confirm, please explain.

j. Please provide the additional amount of time and cost that the program described in (f) has added to the average window transaction for certified mail, return receipt, and return receipt for merchandise.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF DOUGLAS CARLSON

RESPONSE:

a. The Mystery Shopper program is an independent, contractor conducted evaluation of higher revenue producing retail units. Its purpose is to evaluate and assess a typical customer's experience at a retail unit. Attached are the relevant Mystery Shopper handbook sections, pages 1-5, explaining the program. This handbook is presently being updated.

b. Mystery Shopper is a national program. At this time 8,300 retail units are evaluated each postal quarter.

c. FY 99 was the first year of national implementation. The program is in its second fiscal year of operation following implementation.

d. Attached is a copy of the current standardized evaluation, for postal quarter 2. From time to time the evaluation is updated.

e. Confirmed. In the performance of their duties, retail clerks are to ask customers when they want the item to arrive, to provide information about the class of mail offered, and to offer special services and/or additional products. The goal is to best match postal products and services with the

customer's needs and desires. Additionally, clerks are requested to inform customers of the opportunity to pay by credit or debit card.

f. The Sales Associate training program instructs Postal Service retail clerk trainees on established guidelines for postal retail sales.

g. Not confirmed. To the contrary, by focusing directly on the customer's needs, inquiring about other services the customer may need and confirming the customer's method of payment transactions can actually be streamlined.

h. This information is not available. The Postal Service does not aggregate data in this manner.

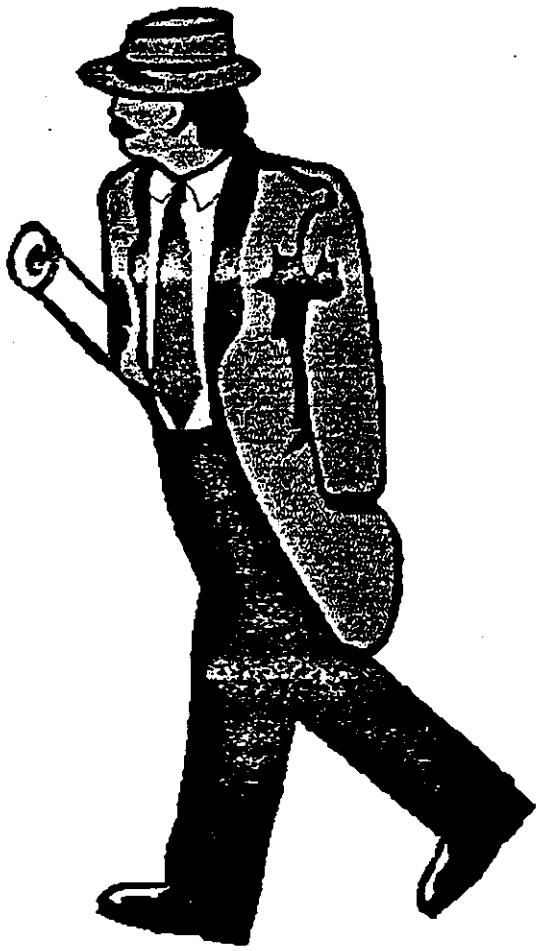
i. Partially confirmed. To the extent the interrogatory inquires about any additional costs associated with having retail clerks inquire about the customer's needs and method of payment for special services that are tracked by the Cost and Revenue Analysis (CRA) report (e.g. certified mail), these additional costs are attributed. Since witness Davis (USPS-T-30) bases return receipt for merchandise costs on certified mail costs, any mystery shopper costs or cost savings would be reflected. Cost systems

do not isolate the additional transaction time that arises in a given transaction from the various retail programs. For certain special services that are not tracked by the CRA, but rather by special cost studies (e.g. regular return receipt), the additional costs of various retail programs are not reflected, assuming the transaction times were measured prior to the implementation of the retail programs in question.

j. The cost systems do not isolate the additional transaction time or cost, if any, that the program described in (f) has added to the average window transaction for certified mail, return receipt, and return receipt for merchandise.

United States Postal Service

National Mystery Shopper Handbook



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AREA AND DISTRICT COORDINATORS

COMMUNICATION PROCESS FLOWCHART 10

MYSTERY SHOPPER QUESTIONNAIRE

FREQUENTLY ASKED QUESTIONS

1. Mystery Shopper Program

A. DEFINITION AND PURPOSE

The Mystery Shopper Program is a tool for process improvement. It documents a typical customer's experience at a retail unit. The program uses contracted "shoppers," who visit post offices and provide an assessment of the office from the customer's perspective. Based on the shopper's experience, offices are rated on operational efficiency, sales skills and product knowledge, courtesy and professionalism, presentation of products and services, and facility appearance. Each office receives a copy of the questionnaire completed by the shopper. This transition to a single, national program is to ensure consistent processes, questions, and ratings at the national level. Mystery

shopper data will be used for three purposes:

- It will serve as the primary data source to construct the Retail Proficiency Index, an indicator under the Voice of the Employee.
- It will provide information in support of district efforts to meet revenue goals.
- It will give local offices information to drive process management efforts to improve customer satisfaction.

The Mystery Shopper Program tells us what we are doing right. It can also help us identify opportunities to change our customers' perception of our business.

B. NATIONAL CONTRACTOR

Second To None, Inc., one of North America's leading mystery shopping services providers, is the USPS choice for the 1999 fiscal year national mystery shopping program. "This represents a new era of opportunity for the USPS to understand its retail customers' experiences and perceptions better than ever before." says Jeff Hall, President. "Through a consolidated program, the USPS will immediately benefit from a true organizational-wide understanding of customer service quality, along with enhanced reporting capabilities.

C. MYSTERY SHOPPER PROGRAM SPECIFICS

The USPS serves 9 million business customers and 100 million residential customers. Much of our revenue is generated in the retail lobby. About half of our customers organize their time to include a trip to the post office. We have traditionally viewed all of our customers the same. The USPS recognizes that customers have options and they are using them! What do our customers want? They want convenience, technical assistance, extended hours, and supplies provided in a pleasant environment with fast, friendly service staff.

The national Mystery Shopper Program will assist us by providing information that will keep our customers focused on us as the service provider. Mystery shops will be conducted at all units that generate annual walk-in revenue of at least $500,000 or the top 20% of the highest revenue-producing offices in each district, whichever is greater. Each identified unit will be randomly shopped ~~15~~ as determined by contract times each fiscal year. Mystery shopper scenarios will address typical transactions that take place in a retail unit.

The results of the mystery shops are identified and shared using the retail unit ZIP Code. Specific employees are not identified on the evaluation. It is important that this program be used as a tool to improve unit operations. It is not used to discipline employees.

D. UNIT EVALUATIONS

Each office will receive its evaluation within 72 hours of the shop. Currently, evaluations are sent to the District Coordinator for distribution to the office. Once the office email address is Internet accessible, the evaluation will be sent directly to the office.

Effective February 27, 1999, reports will be available at the USPS Mystery Shopper web site. The address for the web site is https://client.second-to-none.com/shopus. To use the site you must:

1. have computer access to the Internet

2. **contact your area coordinator**
3. **obtain a logon ID and password**

To find the name and telephone number of your area coordinator, go to the Retail web site at http://retail.usps.gov. At the homepage click on "Programs and Contacts" then scroll down to click on "National Mystery Shopper." At the bottom of the page look for the link titled "Communication Process: Your local representative." A copy of the list is provided in this document at page.....

2. Roles and Responsibilities

Success of Retail equates to a high level of customer satisfaction. Everyone must understand the results of this program, and use the customer's point of view to guide changes we make within the organization. Our communications begin with the survey. Locally we make improvements. At the district and area level we elevate and identify process improvements. Nationally, we measure the results. Each person is linked to this ongoing cycle for improvements.

A. RETAIL UNIT MANAGER

- Ensure that employees are informed and educated about the National Mystery Shopper Program. Discuss results of each mystery shop with unit employees. Use service talks as an opportunity to:
- Share program goals and expectations with employees
- Correct negative observations noted in evaluations
- Celebrate successes

B. DISTRICT COORDINATOR

- Ensure that Retail unit managers and district management are informed about the program.
- Provide reports and feedback about the program to district staff.
- Commit to and document problem resolution at the local level
- Understand and use the communication process to investigate and elevate unresolved issues to the Area Coordinator. (See Communication Process Flowchart attachment.
- Celebrate with success stories. Contact the corporate relations staff for local and area media coverage.

C. AREA COORDINATOR

- Review reports and identify opportunities for improvement at the area level.
- Commit to and document problem resolution at the district level.
- Understand and use the communication process to investigate and elevate unresolved issues and concerns having an impact at the area level to the National Coordinator.
- Celebrate with success stories that have potential for replication.

D. NATIONAL COORDINATOR

- Administer national program.
- Coordinate with Retail managers to identify opportunities for improvement.
- Coordinate program improvements.
- Act as liaison between USPS and vendor.

3. ATTACHMENTS

A. AREA AND DISTRICT COORDINATORS

B. COMMUNICATION PROCESS FLOWCHART

C. FREQUENTLY ASKED QUESTIONS

D. MYSTERY SHOPPER QUESTIONNAIRE

NATIONAL MYSTERY SHOPPER PROGRAM

AREA AND DISTRICT COORDINATORS

Service Evaluation
Second To None - Sample
100 STN - Test Location

Date 8/18/80 Arrival 8:00 AM
Day Monday
Overall Score 100/100 - 100.00%

Operational Efficiency			
1	How long was your wait in line? [minutes:seconds]	0	
2	Was your wait in line 5 minutes or less?	Yes	10 /10
3	Did the vending machine appear to be in proper working order?	Yes	3 /3
4	Were all vending machines fully stocked?	Yes	2 /2
	Operational Efficiency	**100.00%**	**15 /15**
Sales Skills and Product Knowledge			
5	Did the employee inquire when you wanted the item to arrive?	Yes	11 /11
6	Specify the class(es) of mail offered	Global Priority	
7	Did the employee offer the correct class of mail?	Yes	
8	Did the employee explain any features of the recommended class of mail?	Yes	8 /8
9	Did the employee offer any special services?	Yes	8 /8
10	Specify special service(s) offered	N/A	
11	Did the employee suggest an additional item to purchase?	Yes	6 /6
12	Specify additional items offered	N/A	
13	Did the employee inform you that the USPS accepts credit and debit cards?	Yes	4 /4
	Sales Skills and Product Knowledge	**100.00%**	**37 /37**
Courtesy and Professionalism			
14	Did the employee greet you pleasantly as soon as you reached the counter?	Yes	4 /4
15	Did the employee smile and make eye contact?	Yes	4 /4
16	Did the employee present a clean, professional appearance?	Yes	4 /4
17	Was the employee wearing the complete uniform?	Yes	3 /3
18	Did the employee thank you at the end of the transaction?	Yes	5 /5
	Courtesy and Professionalism	**100.00%**	**20 /20**
Retail Products and Services			
19	Were the 3 forms or free supplies you were instructed to locate in the lobby available?	Yes	5 /5
20	Which forms or free supplies were not available?	N/A	
21	Were retail packaging supplies displayed and professionally labeled?	Yes	5 /5
	Retail Products and Services	**100.00%**	**10 /10**
Facility			
22	Was the exterior clean and well maintained?	Yes	4 /4
23	Was the interior clean and well maintained?	Yes	4 /4
24	Were all signs professionally lettered and properly posted?	Yes	5 /5
25	Was the employee's counter clean and well maintained?	Yes	5 /5
	Facility	**100.00%**	**18 /18**
Evaluation Information			
26	USPS Scenario ID	B1	
27	Evaluator ID	00000	
28	Amount of sale from receipt	$0.00	
29	Revenue loss (based on correct class of mail)	$0.00	
30	Post office information on receipt No information provided.		
31	Evaluation Sequence:	FY00 Q1 - Shop 1	

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

DFC/USPS-15 Please describe the extent to which the Postal Service has deployed a program nationwide to provide window service in five minutes or less.

Response:

The extent to which the Postal Service has deployed a program nationwide to provide window service in five minutes or less is described and detailed in Publication 224, Market Basket Resources, Support Tools, dated February 1999 (copy of relevant pages attached). The program is also described in the USPS handbook PO-208, Retail Operations-Focus on Retail, dated 1999, under chapter 7, Lobby Management, and section 713 (copy of relevant page attached).

1301

Resources. Support. Tools.

SERVICE

IN

5

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Install TV/VCRs to promote our products and services utilizing the Postal Lobby Video Network (PLVN).

4. Other Ideas

- Install buzzer system to summon additional clerk to retail counter or to signal need for lobby director.

- Send letters to bulk business mailers and postage meter customers suggesting optimum (off-peak) times to visit post offices to conduct their business. They may also wish to become part of the on-site meter setting program.

- Verify that offices are using current Notice 32 B & C, *P. O. Box Fee Due*. This allows customers to mail in their box rent rather than coming to the window.

- Vacation Hold Mail - Advise customers as they submit PS Form 8076, ***Authorization to Hold Mail***, that they have the option of requesting their carrier deliver all mail held on the date they specify to resume delivery.

- Move work area (desk/table, etc.) for support activities as "nixie" desk, vacation hold mail, preparation of second notices, etc.

SERVICE IN 5

SUMMARY OF ACTION ITEMS AND STRATEGIES IMPLEMENTED OR SUGGESTED TO ACHIEVE SERVICE IN FIVE MINUTE OR LESS

1. Staffing and Service Hours

- *Review/adjust scheduling of clerk hours to provide* maximum (optimum) staffing during peak periods.

- Consider expanding/adjusting service hours, as warranted, to accommodate A.M., P.M., or lunchtime peaks.

- Provide for peak time back-up using a distribution clerk with assigned accountability.

- Increase involvement of postmasters and supervisors in monitoring peak period lobby and window activities, as well as giving weekly service talks to clerks.

2. Window Activities and Customer Service

- Based on local need, consider establishment of special window(s) for government services and other time consuming transactions (e.g. passports and meter settings).

DFC/USPS-15
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DFC/USPS-13
PAGE 1 OF

7 Lobby Management

71 Retail Image

711 Introduction

Everyone should be familiar with the information in this chapter and can use the two checklists provided at the end of this chapter on daily inspection tours of the retail unit. Charts are also provided at the end of this chapter to help retailers to standardize lobby appearance. The charts list the products available for maintaining correct interior finishes for postal stores and new facilities. These items are also available for offices that are being upgraded. For help ordering, contact your district Administrative Services office. For detailed information on purchasing maintenance supplies, contact Administrative Services. Cleaning supplies need to be in compliance with OSHA standards, as well as manufacturers' suggested care instructions so we do not void warranties.

712 Lobby

For the U.S. Postal Service to project a professional business image to postal customers and employees, we must focus on our retail lobbies and other customer service areas. Every lobby must be safe, well organized, well maintained, neat, and clean. The post office lobby is one of the most visible images customers have of the Postal Service. It is everyone's responsibility to ensure that we provide a clean and safe environment for our customers and employees.

713 Service in 5 Minutes or Less

It is not economically possible to provide instantaneous service to each customer entering the lobby. Instead, our goal is to provide a level of service that produces a waiting time of less than 5 minutes. Postmasters achieve this goal through the following:

a. Providing proper training and staff scheduling.

b. Using the Retail Analysis Program (RAP).

c. Encourating proper placement and maintenance of self-service vending equipment.

d. Using the Lobby Director Program.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF DOUGLAS CARLSON

DFC/USPS-16.

The following questions refer to PC Postage, the computerized systems marketed by Stamps.com and E-Stamp to allow customers to print postage from their computers.

(a) Please provide an estimate of the cost to the Postal Service of developing and approving these systems.

(b) To which classes or types of services have these costs been attributed?

(c) Please confirm that every time a customer prints postage on an envelope using PC Postage, a record is created indicating the date and address to which the customer, or meter-license holder, addressed his envelope.

(d) Who maintains this record?

(e) Does the Postal Service have access to this record?

(f) Under which circumstances can Postal Service employees access this record? Please provide citations to or copies of all relevant regulations, directives, and procedures.

(g) Please provide citations to or copies of all notices that the Postal Service has issued, or actions that the Postal Service has taken, to ensure that any records described in (c) are maintained and accessible in a manner with the Privacy Act.

(h) Please provide citations to or copies of all notices that the Postal Service issues to PC Postage customers to advise them of the maintenance of records of the addresses to which they have sent mail.

RESPONSE:

(a) The Postal Service does not develop PC Postage products but serves as a regulator of the private companies that develop products. The

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF DOUGLAS CARLSON

DFC/USPS-16 (cont'd)

Postal Service's role consists of defining the procedures used by companies to submit products to the Postal Service for approval – the Postage Evidencing Product Submission Procedures, latest version dated July 23, 1999, and establishing the performance criteria the products must meet – Performance Criteria for Information-Based Indicia and Security Architecture for Open IBI Postage Evidencing Systems (PCIBI-O), latest version dated June 25, 1999.

These regulatory functions are performed by the Postage Technology Management (PTM) group within the Postal Service. PTM is responsible for the administration of all postage evidencing systems which includes systems such as PC Postage that produce an Information Based Indicia as well as traditional postage metering systems that produce a meter imprint. The costs associated with these administrative functions are not tracked by specific systems but are part of the overall budget of the group. Therefore, we are unable to provide the specific information requested.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF DOUGLAS CARLSON

DFC/USPS-16 (cont'd)

(b) The Postage Technology Management (PTM) program is an overhead cost. It is treated as an institutional cost and, therefore, is not attributed to a specific class or type of service.

(c) PCIBI-O, *Section C.3.2.6.1.3 Indicia Creation Log File Entry*, states an entry shall be made to the log file to record each indicium created. The log file entry includes the date of mailing and the Destination Delivery Point or ZIP+4 but does not include the address to which the customer addressed his envelope.

Future versions of the PCIBI-O will modify this requirement to include only the five-digit ZIP Code instead of the Destination Delivery Point or ZIP+4.

(d) The records are maintained by the product service provider and periodically submitted to the Postal Service in accordance with *Section C.3.2.6.2, Log File Management and Review*, of the PCIBI-O.

(e) Yes, see response to item (d) above.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF DOUGLAS CARLSON

DFC/USPS-16 (cont'd)

(f) Postal Service employees can access this record when needed for the performance of official duties in accordance with the purpose and routine uses identified in the Notice of amended system of records, published in the Federal Register, Vol. 65, pages 142-143, January 3, 2000, and prior notices concerning the system that were published at 54 FR 43701 and 62 FR 25980-81.

(g) See Federal Register notices referenced in response to part (f) above.

(h) Since the collection of information is performed electronically with PC Postage, the Privacy Act Notice is also provided electronically to customers. The customer views the Privacy Act Notice as part of the licensing process incorporated into the software of the product service providers. The electronic notice is the same that is used on the hard copy license application – the 3601A, Application or Update for a License to Lease and Use Postage Meters. This application is currently being updated based on the Notice of Amended System of Records published in the Federal Register on January 3, 2000.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF DOUGLAS CARLSON

DFC/USPS-16 (cont'd)

In addition to the Privacy Act Notice, the Postal Service maintains a privacy policy on its IBIP website, www. usps.com/ibip. Each authorized PC Postage product service provider is required to link to our privacy policy as well as maintain a privacy policy of their own.

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

DFC/USPS-17. Please confirm that the costs of processing outgoing First-Class Mail on Sundays at the plants that regularly process outgoing mail on Sundays are attributed to First-Class Mail service. If you do not confirm, please explain.

RESPONSE:

Confirmed that the Postal Service's sampling systems allocate to First-Class Mail the estimated costs associated with processing First-Class Mail, including those incurred on Sundays. Please note the response to DFC/USPS-8, however, which states that the Postal Service is unaware of any plants that "regularly" process outgoing collection mail on Sundays.

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
TO INTERROGATORIES OF DOUGLAS CARLSON

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.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF DOUGLAS F CARLSON

DFC/USPS-23. The following subparts generally concern witness Plunkett's testimony (T-36) at page 2, lines 5-13. Please provide complete and accurate answers on behalf of the Postal Service to each subpart:

a. Does the Postal Service have the transportation and other logistical requirements in place to ensure that either guaranteed Next Day or guaranteed Second Day Post Office to Addressee Express Mail service is available from any post office in the country to any destination address in the country to which the Postal Service delivers? Please explain fully.

b. Please confirm that some post offices do not receive mail six days a week. If you do not confirm, please explain.

c. Please confirm that some post offices receive mail on as few as two or three days per week. If you do not confirm, please explain.

d. Please confirm that some post offices dispatch mail on as few as two, three, or four days per week. If you do not confirm, please explain.

e. If you confirm for any post offices in (b), (c), or (d), please confirm that some days will exist when the Postal Service will be unable to meet, for at least one origin-destination pair in the country, either a second-day or an overnight delivery commitment for Post Office to Addressee Express Mail service that either originates at the post offices in (b), (c), or (d) or is destined for the post offices in (b), (c), or (d). If you do not confirm, please explain.

f. If you confirm in (e) for any origin-destination pair, please explain how, if at all, the Postal Service will notify the customer that neither next-day nor second-day service can be guaranteed. In answering this question, please pay particular attention to the scenario of a customer in a metropolitan area mailing an Express Mail item to a rural destination that does not receive daily mail service.

g. Please confirm that customers whose Express Mail does not arrive within the time provided by the service guarantee may suffer damages larger than the amount of postage that they paid. If you do not confirm, please explain.

h. Please confirm that a customer might make other delivery or transmission arrangements in lieu of mailing an article via Express Mail if he were informed at the time of mailing that neither next-day nor second-day service were available to his destination. If you do not confirm, please explain.

i. Please explain the policies, laws, and regulations that the Postal Service believes restrict its activities to prevent false or misleading advertising or representations.

j. Please explain the Postal Service's own policies that govern its advertising activities and other representations of service levels to ensure that the Postal Service never guarantees a service for which it does not have the

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF DOUGLAS F CARLSON

transportation and other logistical requirements in place to ensure that, under usual, predictable circumstances, it can provide the guaranteed service level.

RESPONSE:

(a) Available logistic capability is a predicate to offering guaranteed Express Mail service. Where no such capability is present, guaranteed service cannot be offered. Please see the response to parts (b)-(d) below.

(b)-(d) Confirmed. Generally, post offices receive and dispatch mail six days per week. In a few limited instances post offices receive and dispatch mail fewer than six days per week and as few as three days per week. This tends to occurs in very remote, sparsely populated areas such as the far reaches of Alaska, Montana, South Dakota, etc. Given the high cost of transportation to reach these areas (some only accessible by plane) and the small volumes involved, mail service may be provided in these locations fewer than six days per week.

(e) Your question incorrectly presupposes a "delivery commitment" in such cases. Please see the responses to parts (a) and (b)-(d) above.

(f)-(h) At the latest, customers are advised of the service commitment for their destination at the time of acceptance. Customers who are not satisfied with the service commitment for their destination presumably would choose not to use Express Mail and instead would make other arrangements for earlier delivery of their items, and would therefore suffer no unforeseen adverse consequences. The Postal Service's policy is to put in place the necessary operations and

transportation resources necessary to support its service commitments, and to communicate such commitments as accurately as possible.

(i) Title 39 contains no express language on what, if any, laws apply to Postal Service advertising. The Postal Service has been sued under the Lanham Act, 15 U.S.C. § 1125(a).

(j) All advertisements are subject to legal review before publication. Generally, an unqualified service performance claim must be substantiated by statistically valid tests, such as EXFC, showing at least 95 percent performance. Further, the major television networks require that an advertiser demonstrate that its claims are substantiated before they will air an advertisement.

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

DFC/USPS-24. Please provide the contents of the entire Inspection Service Special Services audit report cited in the response to DFC/USPS-T39-3. If this audit report is filed as a library reference, pursuant to Rule 31(b)(2)(ix) I request that a copy of this audit report be mailed directly to me.

RESPONSE:

Please see library reference I-200. A copy is also being mailed directly to Mr. Carlson.

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

DFC/USPS-27. Please provide all data concerning the actual weight of flat-rate Express Mail envelopes that customers mail under current postage rates and the costs associated with flat-rate envelopes of each weight.

RESPONSE:

No such data are available.

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

DFC/USPS-28. Suppose a customer uses an Express Mail flat-rate envelope to mail a letter that weighs one ounce. Under current rates, which rate (category and dollar amount) should or will this customer be charged?

RESPONSE:

The customer should be charged the Flat Rate, which is also the 2 pound rate, of

$15.75.

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

DFC/USPS-29. Please confirm that some P&DC's that process their own outgoing First-Class Mail on Saturdays send their outgoing First-Class Mail to another plant on certain holidays for processing.

RESPONSE:

Confirmed, although it is unclear what relevance this may have to any issue in this case.

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

DFC/USPS-39 Please refer to the response to DFC/USPS-7 and explain why Sunday processing would not have any "direct impact on service standards for First Class Mail." Are you suggesting that letters deposited on Sunday at a facility that processes outgoing mail on Sundays will not be delivered on Monday for destinations located within the designated overnight delivery area, on Tuesday for destinations located within the designated two-day delivery area, or on Wednesday for destinations located within the designated three-day delivery area? If so, please provide documents and details to support this position.

Response:

This question appears to address the issue of actual delivery, while the quoted statement from the response to DFC/USPS-7 was discussing service *standards*. In the limited instances where collection mail is processed on Sundays (e.g. Christmas season), the service *standard* of that mail would be the same as if it were collected and processed on Monday. Mail collected and processed on Sundays in such instances maintains an overnight delivery standard of Tuesday, a two-day standard of Wednesday, and a three-day standard of Thursday.

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

DFC/USPS-41

a. Please confirm that Express Mail is delivered on Sundays nationwide. If you do not confirm, please explain.

b. Does Sunday delivery of Express Mail justify a higher cost coverage for Express Mail than if Express Mail were not delivered on Sundays? Please explain.

c. Please discuss the extent to which P&DC's accept Express Mail from customers on Sundays and process and dispatch the Express Mail on Sundays.

d. Please discuss the extent to which customers may tender Express Mail on Sundays at staffed post offices and have this Express Mail dispatched on Sunday.

e. Please discuss the extent to which P&DC's accept Priority Mail from customers on Sundays and process and dispatch the Priority Mail on Sundays.

f. Please discuss the extent to which customers may tender Priority Mail on Sundays at staffed post offices and have this Priority Mail dispatched on Sunday.

g. Please confirm that the ability of customers to tender Express Mail at some postal facilities on Sundays and have this Express Mail processed and dispatched on Sunday raises the value of Express Mail as compared to other classes of mail that will not be processed and dispatched on Sunday.

h. Please confirm that the ability of customers to tender Priority Mail at some postal facilities on Sundays and have this Priority Mail processed and dispatched on Sunday raises the value of Priority Mail as compared to other classes of mail that will not be processed and dispatched on Sunday.

Response:

a. Confirmed.

b. Under conventional analysis, Sunday delivery of Express Mail suggests a higher evaluation on Criterion 2, value of service, than if Express Mail were not delivered on Sunday. Of course, this is only one of many factors that need to be considered in the context of Criterion 2, so its relative weight in

that process cannot be determined in isolation. Moreover, Criterion 2 is only one of many criteria that must be balanced when developing rates. Therefore, it is not possible to reach the conclusion that Sunday delivery, by itself, would "justify a higher cost coverage for Express Mail."

c. The Postal Service accepts Express Mail at P&DCs only to the extent that acceptance personnel are staffed and a tendering location exists. However, data are not available regarding the extent to which Express Mail is accepted from customers at P&DCs on Sundays. Express Mail is processed and dispatched on Sundays.

d. Data are not available regarding the extent to which Express Mail is tendered to staffed post offices on Sundays. Very few post offices, however, are staffed on Sundays. Express Mail is processed and dispatched on Sundays.

e. The Postal Service accepts Priority Mail at P&DCs only to the extent that acceptance personnel are staffed and a tendering location exists. However, data are not available regarding the extent to which Priority Mail is accepted from customers at P&DCs on Sundays. The national policy is that there is no commitment to process and dispatch Priority Mail on Sundays.

f. Data are not available regarding the extent to which Priority Mail is tendered to staffed post offices on Sundays. Very few post offices, however, are staffed on Sundays. The national policy is that there is no commitment to process and dispatch Priority Mail on Sundays.

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

g. The Postal Service can confirm that this raises the value of Express Mail in terms of service. See the response to subpart b. above.

h. Not confirmed. As stated in subpart e. above, customers should have no expectations that Priority Mail will be processed and dispatched on Sundays. With respect to Sunday processing and dispatch, the value of service provided Priority Mail is the same as that provided all other subclasses of mail, except for Express Mail.

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

DFC/USPS-43 Please refer to your response to DFC/USPS-6(b). Please state the basis for this response and provide any policies, guidelines, or directives that exist on this subject.

Response.

The response was based on consultation with personnel in Postal operations with substantial amounts of relevant experience. A search was conducted for national policies, guidelines, or directives on this subject, but none have been identified.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF DOUGLAS CARLSON

DFC/USPS-48.

Please refer to the response to OCA/USPS-23(b). Please explain the procedure for ensuring correct postage payment for DPS-sorted First-Class Mail.

RESPONSE:

It is assumed that the question pertains to standard size delivery point sequenced letters on which the postage was paid by means of postage stamps or meters. Presently, such letters are usually presented to carriers and box section clerks in trays. Carriers are able to determine if proper postage is affixed before delivery to individual street addresses. Clerks are able to do the same as they separate the mail intended for individual post office boxes.

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

DFC/USPS-T34-49. Please explain how PETE scores are calculated and provide documents explaining the operation of the system.

RESPONSE:

PETE scores are calculated as follows:

$$\%_{ontime} = \frac{(Pieces_{ontime})}{(Pieces_{total})} * (100)$$

Within each service commitment, ontime pieces are defined as pieces delivered within the service commitment.

Test results are weighted in accordance with actual origin to destination Priority mail volume flows.

An explanation of the operation of the PETE system is contained in the brochure, PETE Priority End-to-End Measurement System. See attachment.

UNITED STATES POSTAL SERVICE®

PETE

PRIORITY **E**ND-**T**O-**E**ND
MEASUREMENT SYSTEM

The Postal Service contracted to measure Priority Mail service performance independently and objectively beginning in AP 5, FY97.

Modeled closely after EXFC, PETE is an end-to-end service performance measurement system; it measures identified Priority Mail performance from the time mail enters the mailstream until it is delivered to a household, small business, or post office box. PETE measures service performance from a customer perspective and produces accurate, independent, externally generated results.

PETE is designed to provide quarterly estimates of destinating Priority Mail service performance for the 85 Performance Clusters, encompassing 301 3-digit ZIP Codes, from their overnight and two-day service commitment areas. This network represents about 70% of the nation's destinating, identified Priority Mail volume.

NOTE Because of the differences in volume flows and market demands, the 3-digit ZIP Codes contained in PETE may differ from those in EXFC.

The PETE Process...

is comprised of the following seven steps:

STEP 1 SAMPLE SELECTION

PETE begins with Sample Selection, the planning that determines the timing, location, and quantity of test mail pieces dropped into the mailstream and to whom they are addressed. The plan also provides for contingencies that might occur throughout the test quarter.

FACT Each cluster receives approximately 726 overnight pieces and 920 two-day pieces each Postal Quarter.

FACT Mail flows between clusters are based on ODIS volumes. The number of pieces mailed from each cluster is in proportion to its ODIS origin volumes to the destination clusters by commitment.

FACT Selection of drop points is a two-part process using information from the USPS Collection Box Management System (CBMS): 1) The number of test pieces inducted at the 3-digit ZIP level is based on origin 3-digit ZIP ODIS volumes. 2) Drop points are selected at the 5-digit level in accordance with the density of regular collection boxes represented by that ZIP within the 3-digit ZIP.

FACT Drop points are only made in street collection boxes. They are selected at random, with replacement; therefore, a collection point may be selected more than once a quarter.

STEP 2 TEST MAIL FABRICATION

Test mail is fabricated especially for use in PETE. The test mail is made up in various kits.

FACT Test pieces may be either stamped or metered.

STEP 3 TEST MAIL DISTRIBUTION

The contractor receives trays of all kit types every week. These test mail pieces are assembled into bundles and sent to droppers in the 85 performance clusters.

FACT A bundle contains between two and ten pieces. Test mail pieces for the overnight and two-day service commitments are included in most bundles.

STEP 4 TEST MAIL INDUCTION

PETE droppers induct test mail into the mailstream in collection boxes during the *authorized drop window*. The drop window begins at 5:00 A.M. on the day of the scheduled induction and ends 30-minutes prior to the last posted pick-up time on the collection box.

FACT Inductions may occur six days a week, Monday through Saturday. No drops are made on Sundays or federal holidays.

FACT Inductions occur evenly throughout the *test quarter; both across all weeks within* a quarter, and across all delivery days within a week.

FACT Droppers are required to record the date, time, and location of the induction, the box ID number, all last pick-up times shown on Label 55, and the date the label was printed. NOTE: Box ID numbers are not provided to the droppers *in advance*.

FACT If discrepancies occur between the CBMS data and Label 55, the information on the collection box label *at the time of the drop* defines the effective date of induction.

STEP 5 DATA COLLECTION

Upon receipt of test mail, reporters call a toll-free number to report the date of receipt and other information for each piece. All reporters must be able to segregate test mail by date of delivery, and no reporter may receive mail through a mailroom or other third party agent.

FACT Reporters are required to call in test mail information within 24 hours.

STEP 6 DATA VALIDATION

The contractor performs numerous quality control checks on the data.

FACT More than 100 quality checks and controls are applied to all aspects of the PETE system.

STEP 7 REPORT GENERATION

The Postal Service receives continuous updates from the contractor which are made available as weekly and quarterly reports in the Corporate Information System (CIS). For reports and system updates, select Option 38: Transit Time Measurement System.

PETE Clusters (85)

3-Digit ZIP Codes included in system

Akron	442, 443
Alabama	350, 351, 352
Alaska	995
Albany	120, 121, 122, 123
Albuquerque	870, 871
Appalachian	254, 251, 252, 253
Arizona	850, 852, 853, 857
Arkansas	720, 721, 722
Atlanta	306, 301, 302, 303, 305
Baltimore	210, 211, 212, 214
Big Sky	590, 591
Boston	021, 022, 024
Capital	200, 207, 208, 209
Caribbean	007, 009
Central Florida	327, 328, 329, 334, 347, 349
Central Illinois	604, 605
Central N. Jersey	078, 079, 085,086,087,088, 089
Central Plains	680, 681
Chicago	606
Cincinnati	450, 451, 452, 453, 454
Cleveland	440, 441
Colorado/Wyoming	800, 801, 802, 803, 805
Columbus	430, 431, 432
Connecticut	060, 061, 064, 065, 068, 069
Dakotas	570, 571
Dallas	750, 751, 752
Detroit	481, 482
Erie	164, 165
Fort Worth	760, 761
Gateway	630, 631
Greater Indiana	460, 461, 462, 463, 464
Greater Michigan	488, 489, 495
Greater S. Carolina	292, 294, 296
Greensboro	271, 272, 273, 274, 275, 276, 277
Harrisburg	170, 171, 180, 181
Hawkeye	500, 501, 502, 503
Honolulu	967, 968
Houston	770, 772, 773, 774
Kentuckiana	400, 402, 471
Lancaster	188, 193, 194
Las Vegas	890, 891
Long Beach	902, 903, 904, 905, 906, 907, 908
Long Island	115, 117, 118
Los Angeles	900
Louisiana	700, 701
Maine	040, 041
Mid-America	640, 641
Mid-Carolinas	280, 281, 282, 283, 284
Middlesex-Cntrl	014, 015, 016, 017,018, 019
Milwaukee	530, 531, 532, 534, 535, 537
Mississippi	301, 302
New Hampshire	030, 031, 032, 033
New York	100
North Florida	320, 321, 322
Nthrn Illinois	600, 601, 602, 603
Nthrn N. Jersey	070, 071, 072, 073, 076
Northern Virginia	201, 220, 221, 222, 223
Northland	550, 551, 553, 554
Oakland	945, 946, 947, 948
Oklahoma	730, 731, 740, 741
Philadelphia	190, 191
Pittsburgh	150, 151, 152
Portland, OR	970, 971, 972, 986
Providence	020, 023, 027, 028, 029
Richmond	231, 232, 233, 234, 235, 236, 237
Rio Grande	781, 782, 786, 787
Royal Oak	480, 483
Sacramento	956, 958
Salt Lake City	840, 841
San Diego	918, 920, 921, 923, 924, 925
San Francisco	940, 941, 943, 944, 949, 954
San Jose	950, 951
Santa Ana	917, 918, 926, 927, 928
Seattle	980, 981, 984
South Florida	330, 331, 333
South Georgia	310, 312, 317
South Jersey	080, 081, 083
Spokane	990, 991, 992
Springfield	618, 611
Suncoast	335, 336, 337, 346
Tennessee	370, 371, 372, 381
Tribore	110, 112, 113
Van Nuys	913, 914, 915, 916, 930, 931, 934
Westchester	105, 106, 107, 108
Wstrn New York	140, 141, 142, 143, 144, 145, 146

For additional information ...

The design of the PETE process and the procurement of the contract—including the development and implementation of the Statement of Work—is the responsibility of the Consumer Advocate.

Questions regarding USPS policy issues and the Transit Time Measurement contract should be directed to:

[redacted] MANAGER
CUSTOMER SATISFACTION MEASUREMENT
475 LENFANT PLZ SW RM 5800
WASHINGTON DC 20260-2205

Specific contract or system design questions should be directed to:

[redacted] ..... (202) 268-[redacted]
[redacted] ..... (202) 268-[redacted]

The staff of Service Analysis and Assessment (SSA) is available to respond to your questions. SAA can also address your needs by providing on-site briefings, training sessions, and presentations to assist in understanding and reacting to PETE data.

Requests for on-site presentations should be directed to:

[redacted] MANAGER
SERVICE ANALYSIS AND ASSESSMENT
475 LENFANT PLZ SW RM 6631
WASHINGTON DC 20260-1602

Questions relating to the data or reporting system should be directed to:

[redacted] ..... (202) 268-[redacted]
[redacted] ..... (202) 268-[redacted]

For additional training materials, please contact:

[redacted] ..... (202) 268-[redacted]
[redacted] ..... (202) 268-[redacted]

JANUARY 1999 CONSUMER AFFAIRS

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

DFC/USPS-50. Please refer to the response to DFC/USPS-T34-10 concerning Priority Mail flat-rate envelopes.

a. Please provide all evidence on the extent to which Priority Mail flat-rate envelopes weighing four to 16 ounces are larger than Priority Mail flat-rate envelopes weighing one to three ounces. Please provide all available data.

b. Please provide all evidence on the extent to which Priority Mail flat-rate envelopes weighing four to 16 ounces are smaller than Priority Mail flat-rate envelopes weighing one to three ounces. Please provide all available data.

c. Please provide all evidence on the extent to which Priority Mail flat-rate envelopes weighing four to 16 ounces are the same size as Priority Mail flat-rate envelopes weighing one to three ounces. Please provide all available data.

d. Please confirm that Priority Mail flats weighing one to three ounces are, in general, likely to be larger in size than Priority Mail flats weighing four to 16 ounces. If you do not confirm, please explain and provide available evidence.

RESPONSE:

a-d. The Postal Service does not have information responsive to this request because it does not track the cube (size) of Priority Mail by ounce increment.

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

DFC/USPS-51. *Please refer to the response to DFC/USPS-T34-11.* Please provide, in one-ounce increments up to 32 ounces and one-pound increments beyond, available data on air and water transportation costs for First-Class Mail and Priority Mail.

RESPONSE:

Total air and water costs for the Base Year (FY98) can be found in cost segment 14 of witness Meehan's Exhibit USPS-11A ($513,659 for First-Class Mail and $426,762 for Priority Mail). The total air and water costs for First-Class Mail and Priority Mail in the Test Year (FY01) can be found in cost segment 14 of witness Kashani's Exhibit USPS-14H (TYBR $555,960 for First-Class Mail and $462,426 for Priority Mail) and Exhibit USPS-14K (TYAR $553,612 for First-Class Mail and $425,968 for Priority Mail).

The Postal Service does not track pound-miles by ounce increment; therefore, transportation costs incurred by ounce increment cannot be calculated. An average cost per pound, or ounce, can be calculated by dividing the total costs of First-Class Mail or Priority Mail in the base year or test year by the total pounds of First-Class Mail and Priority Mail, respectively, and for average cost per ounce increment, dividing by 16 to calculate cost per ounce.

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

DFC/USPS-53. Please refer to the response to DFC/USPS-T34-13 and provide the ZIP Code pairs referenced in parts (1) and (2) of the response.

Per ruling R2000-1/43: "The Postal Service shall respond to DFC/USPS-53 by identifying the 3-digit ZIP-Code pairs where Priority Mail has an overnight service standard while First-Class Mail does not."

RESPONSE:

In the service standard database, Priority Mail has a one-day service standard while First-Class Mail has a slower service standard in 285 ZIP Code pairs. Since earlier responses were filed, the service standard database has been modified to correct errors. The information in the Attachment to DFC/USPS-53 reflects the service standard database as of April 21, 2000. In the process of responding to this request, previously unidentified errors have been identified in the database. These errors will be corrected in the database release at the beginning of PQ4, 2000.

Based on these corrections, of the 285 ZIP Code pairs in which Priority Mail has an overnight service standard while First-Class Mail does not, there are only 42 valid pairs where Priority Mail service standard is 1 day and First-Class Mail service standard is 2 days.

The remainder of the 285 ZIP Code pairs can be categorized as follows:

105 Invalid pairs where Priority Mail service standard is 1 day and First-Class Mail service standard is 2 days (Priority Mail service standard should be 2 days instead of 1 day.)

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

138 Invalid pairs where Priority Mail service standard is 1 day and First-Class Mail service standard is 3 days. (Priority Mail service standard should be 2 days instead of 1 day).

The 285 ZIP Code Pairs, in their appropriate categories, are reproduced in the Attachment to DFC/USPS-53.

42 VALID PAIRS WHERE PRIORITY MAIL SERVICE STANDARD IS 1-DAY AND FIRST-CLASS MAIL SERVICE STANDARD IS 2-DAYS

	ORIG ZIP	DEST ZIP	PRI	FCM
1	006	008	1	2
2	007	008	1	2
3	008	006	1	2
4	008	007	1	2
5	008	009	1	2
6	009	008	1	2
7	040	047	1	2
8	041	047	1	2
9	042	047	1	2
10	043	047	1	2
11	045	047	1	2
12	048	047	1	2
13	049	047	1	2
14	572	562	1	2
15	573	560	1	2
16	573	561	1	2
17	710	755	1	2
18	711	755	1	2
19	712	755	1	2
20	717	755	1	2

	ORIG ZIP	DEST ZIP	PRI	FCM
21	718	755	1	2
22	755	710	1	2
23	755	711	1	2
24	755	712	1	2
25	755	718	1	2
26	755	722	1	2
27	758	765	1	2
28	758	766	1	2
29	758	767	1	2
30	758	773	1	2
31	758	774	1	2
32	758	778	1	2
33	759	770	1	2
34	759	771	1	2
35	759	772	1	2
36	759	773	1	2
37	759	774	1	2
38	759	775	1	2
39	759	776	1	2
40	759	777	1	2
41	776	759	1	2
42	777	759	1	2

105 INVALID PAIRS WHERE PRIORITY MAIL SERVICE STANDARD IS 1-DAY AND FIRST-CLASS MAIL SERVICE STANDARD IS 2-DAYS (PRIORITY SHOULD BE 2-DAY INSTEAD OF 1-DAY)

	ORIG ZIP	DEST ZIP	PRI	FCM
1	200	090	1	2
2	200	091	1	2
3	200	092	1	2
4	200	094	1	2
5	200	096	1	2
6	200	097	1	2
7	200	098	1	2
8	201	090	1	2
9	201	091	1	2
10	201	092	1	2
11	201	094	1	2
12	201	096	1	2
13	201	097	1	2
14	201	098	1	2
15	202	090	1	2
16	202	091	1	2
17	202	092	1	2
18	202	094	1	2
19	202	096	1	2
20	202	097	1	2
21	202	098	1	2
22	203	090	1	2
23	203	091	1	2
24	203	092	1	2
25	203	094	1	2
26	203	096	1	2
27	203	097	1	2
28	203	098	1	2
29	204	090	1	2
30	204	091	1	2
31	204	092	1	2
32	204	094	1	2
33	204	096	1	2
34	204	097	1	2
35	204	098	1	2

	ORIG ZIP	DEST ZIP	PRI	FCM
36	205	090	1	2
37	205	091	1	2
38	205	092	1	2
39	205	094	1	2
40	205	096	1	2
41	205	097	1	2
42	205	098	1	2
43	208	090	1	2
44	208	091	1	2
45	208	092	1	2
46	208	094	1	2
47	208	096	1	2
48	208	097	1	2
49	208	098	1	2
50	209	090	1	2
51	209	091	1	2
52	209	092	1	2
53	209	094	1	2
54	209	096	1	2
55	209	097	1	2
56	209	098	1	2
57	220	090	1	2
58	220	091	1	2
59	220	092	1	2
60	220	094	1	2
61	220	096	1	2
62	220	097	1	2
63	220	098	1	2
64	221	090	1	2
65	221	091	1	2
66	221	092	1	2
67	221	094	1	2
68	221	096	1	2
69	221	097	1	2
70	221	098	1	2

	ORIG ZIP	DEST ZIP	PRI	FCM
71	222	090	1	2
72	222	091	1	2
73	222	092	1	2
74	222	094	1	2
75	222	096	1	2
76	222	097	1	2
77	222	098	1	2
78	223	090	1	2
79	223	091	1	2
80	223	092	1	2
81	223	094	1	2
82	223	096	1	2
83	223	097	1	2
84	223	098	1	2
85	226	090	1	2
86	226	091	1	2
87	226	092	1	2
88	226	094	1	2
89	226	096	1	2
90	226	097	1	2
91	226	098	1	2
92	227	090	1	2
93	227	091	1	2
94	227	092	1	2
95	227	094	1	2
96	227	096	1	2
97	227	097	1	2
98	227	098	1	2
99	254	090	1	2
100	254	091	1	2
101	254	092	1	2
102	254	094	1	2
103	254	096	1	2
104	254	097	1	2
105	254	098	1	2

138 INVALID PAIRS WHERE PRIORITY MAIL SERVICE STANDARD IS 1-DAY AND FIRST-CLASS MAIL SERVICE STANDARD IS 3-DAYS (PRIORITY SHOULD BE 2-DAY INSTEAD OF 1-DAY)

	ORIG ZIP	DEST ZIP	PRI	FCM
1	224	090	1	3
2	224	091	1	3
3	224	092	1	3
4	224	094	1	3
5	224	096	1	3
6	224	097	1	3
7	224	098	1	3
8	225	090	1	3
9	225	091	1	3
10	225	092	1	3
11	225	094	1	3
12	225	096	1	3
13	225	097	1	3
14	225	098	1	3
15	230	090	1	3
16	230	091	1	3
17	230	092	1	3
18	230	094	1	3
19	230	096	1	3
20	230	097	1	3
21	230	098	1	3
22	231	090	1	3
23	231	091	1	3
24	231	092	1	3
25	231	094	1	3
26	231	096	1	3
27	231	097	1	3
28	231	098	1	3
29	232	090	1	3
30	232	091	1	3
31	232	092	1	3
32	232	094	1	3
33	232	096	1	3
34	232	097	1	3
35	232	098	1	3

	ORIG ZIP	DEST ZIP	PRI	FCM
36	238	090	1	3
37	238	091	1	3
38	238	092	1	3
39	238	094	1	3
40	238	096	1	3
41	238	097	1	3
42	238	098	1	3
43	750	090	1	3
44	750	091	1	3
45	750	092	1	3
46	750	093	1	3
47	750	094	1	3
48	750	096	1	3
49	750	097	1	3
50	750	098	1	3
51	751	090	1	3
52	751	091	1	3
53	751	092	1	3
54	751	093	1	3
55	751	094	1	3
56	751	096	1	3
57	751	097	1	3
58	751	098	1	3
59	752	090	1	3
60	752	091	1	3
61	752	092	1	3
62	752	093	1	3
63	752	094	1	3
64	752	096	1	3
65	752	097	1	3
66	752	098	1	3
67	753	090	1	3
68	753	091	1	3
69	753	092	1	3
70	753	093	1	3

	ORIG ZIP	DEST ZIP	PRI	FCM
71	753	094	1	3
72	753	096	1	3
73	753	097	1	3
74	753	098	1	3
75	754	090	1	3
76	754	091	1	3
77	754	092	1	3
78	754	093	1	3
79	754	094	1	3
80	754	096	1	3
81	754	097	1	3
82	754	098	1	3
83	756	090	1	3
84	756	091	1	3
85	756	092	1	3
86	756	093	1	3
87	756	094	1	3
88	756	096	1	3
89	756	097	1	3
90	756	098	1	3
91	757	090	1	3
92	757	091	1	3
93	757	092	1	3
94	757	093	1	3
95	757	094	1	3
96	757	096	1	3
97	757	097	1	3
98	757	098	1	3
99	758	090	1	3
100	758	091	1	3
101	758	092	1	3
102	758	093	1	3
103	758	094	1	3
104	758	096	1	3
105	758	097	1	3

138 INVALID PAIRS WHERE PRIORITY MAIL SERVICE STANDARD IS 1-DAY AND FIRST-CLASS MAIL SERVICE STANDARD IS 3-DAYS (PRIORITY SHOULD BE 2-DAY INSTEAD OF 1-DAY)

	ORIG ZIP	DEST ZIP	PRI	FCM
106	758	098	1	3
107	760	090	1	3
108	760	091	1	3
109	760	092	1	3
110	760	093	1	3
111	760	094	1	3
112	760	096	1	3
113	760	097	1	3
114	760	098	1	3
115	761	090	1	3
116	761	091	1	3
117	761	092	1	3
118	761	093	1	3
119	761	094	1	3
120	761	096	1	3
121	761	097	1	3
122	761	098	1	3
123	762	090	1	3
124	762	091	1	3
125	762	092	1	3
126	762	093	1	3
127	762	094	1	3
128	762	096	1	3
129	762	097	1	3
130	762	098	1	3
131	764	090	1	3
132	764	091	1	3
133	764	092	1	3
134	764	093	1	3
135	764	094	1	3
136	764	096	1	3
137	764	097	1	3
138	764	098	1	3

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

DFC/USPS-54. Please refer to the response to DFC/USPS-T34-8 and provide, for each subpart of the original interrogatory, the information that is available from all pertinent measurement systems, including EXFC and PETE.

RESPONSE:

The following data is for FY 1999 from EXFC.

The percentage of First-Class Mail for which the delivery standard is one day that arrives in one day: 93.3 percent.

The percentage of First-Class Mail for which the delivery standard is two days that arrives in two days: 86.5 percent.

The percentage of First-Class Mail for which the delivery standard is three days that arrives in two days: 32.9 percent.

The percentage of First-Class Mail for which the delivery standard is three days that arrives in three days: 85.6 percent.

The following data is for FY 1999 from PETE.

The percentage of Priority Mail for which the delivery standard is one day that arrives in one day: 90.4 percent.

The percentage of Priority Mail for which the delivery standard is two days that arrives in two days: 79.3 percent.

The percentage of Priority Mail for which the delivery standard is three days that arrives in two days: PETE does not measure service performance for any Priority Mail with a three day service standard.

The percentage of Priority Mail for which the delivery standard is three days that arrives in three days: PETE does not measure service performance for any Priority Mail with a three day service standard.

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

DFC/USPS-55. For each problem type listed in the response to DFC/USPS-T39-28, please provide the number of complaints received for each of the past three years for which data are available.

RESPONSE:

Please see library reference I-236. A copy will also be mailed to Mr. Carlson.

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

DFC/USPS-58. Please provide the total number of delivery offices (including post offices, stations, and branches).

RESPONSE:

While the exact number of delivery offices is not available, the total number of offices (including post offices, stations, and branches) for FY 1998 was 38,159, according to the United States Postal Service 1998 Annual Report.

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

DFC/USPS-59. Please provide the total number of carrier and rural routes nationwide.

RESPONSE:

In FY 1998 there were approximately 227,000 carrier and rural routes nationwide.

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

DFC/USPS-60. Please provide the average number of return receipts delivered per day nationwide.

RESPONSE:

Based on FY 1998 data of return receipt volume and delivery days, the average number of return receipts delivered per day nationwide was approximately 782,700.

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

DFC/USPS-61. Please provide the average number of return receipts delivered per carrier or rural route per day.

RESPONSE:

Based on FY 1998 data of return receipt volume, delivery days, and carrier and rural routes, the average number of return receipts delivered per carrier or rural route per day was approximately 3.4.

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

DFC/USPS-62. Please provide the average number of return receipts delivered per delivery office per day.

RESPONSE:

Based on FY 1998 data of return receipt volume, delivery days, and offices, the average number of return receipts delivered per office per day was approximately 20.5.

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

DFC/USPS-63. Suppose a return receipt is attached to a letter. At which point, from acceptance of the letter to delivery of the return receipt to the sender, is the return receipt counted in total return-receipt volume?

RESPONSE:

In the Domestic RPW sampling system, the return receipt is counted at the point of exiting the postal network, such as when the piece is delivered. For a typical delivery of a piece with a return receipt attached, the mailpiece would generate at least two observations: the first for the parent mailpiece, and additional observations for each attached special service, such as certified and return receipt. When the return receipt is returned to sender it would be counted in the Domestic RPW sampling system as a First-Class penalty mail card, and not as a return receipt transaction.

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

DFC/USPS-64. Suppose a return receipt is attached to a letter. Suppose, further, the letter is returned to sender because the recipient moved and left no address. Will this return receipt be counted in total return-receipt volume? Does the answer depend on whether the sender obtains a refund for the fees paid for the return receipt?

RESPONSE:

No, the letter that is returned to sender with a return receipt attached would not generate a return receipt observation and would thus not be counted in return receipt volume. This answer does not depend on whether or not a refund is processed.

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

DFC/USPS-65: Please refer to the response to DFC/USPS-49 (which is incorrectly indicated as DFC/USPS-T34-49). Please explain why the drop window ends 30 minutes prior to the last posted collection time on the collection box. Does the drop window end at the same time for EXFC purposes?

RESPONSE:

The window for PETE test mail induction ends 30 minutes prior to the last posted collection time on the collection box to preserve the anonymity of the contractor inducting PETE test mail. For EXFC test mail, the drop window also ends 30 minutes prior to the last posted collection time on the collection box.

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

DFC/USPS-76. Please refer to the response to DFC/USPS-41(d). Please explain the basis for the contention that "very few" post offices are staffed on Sundays, keeping in mind that many, if not most, post offices receive and deliver Express Mail on Sundays, receive some types of mail on Sundays, and/or dispatch available collection mail on Sundays — activities that require staff to be present.

RESPONSE:

The stated premises for this question are erroneous. Most Post Offices do **not** receive and deliver Express Mail on Sundays. For most Post Offices, Express Mail destinating on Sunday in their service area will be delivered from a nearby plant or large Post Office. Most Post Offices do **not** receive some types of mail on Sundays. Most Post Offices do **not** dispatch available collection mail on Sundays. Normally, the Postal Service will neither collect nor process collection mail on Sundays, so there will rarely be any available for dispatch. Consequently, of the Postal Service's approximately 28,000 post offices (or the approximately 38,000 post offices, stations, and branches), very few are staffed on Sundays.

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

DFC/USPS-78. Please refer to your response to DFC/USPS-23(a), which reads, "Where no such capability is present, guaranteed service cannot be offered." Where no such capability is present, *is* guaranteed service offered? Please explain.

DFC/USPS-78 Response. The Postal Service's service guarantees for Express Mail cover all destination post offices.

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

DFC/USPS-79. The response to DFC/USPS-23(b)–(d) confirms that some post offices receive and dispatch mail fewer than six days per week and, in some cases, as few as three days per week. Suppose a customer living in an urban area approaches a post-office retail window on Day 1 and asks to send a mailable item via Post Office to Addressee Express Mail service. Suppose the destination post office does not receive mail six days per week. Suppose, further, the Postal Service does not offer next-day Express Mail service to the post office to which the customer's item is addressed either because next-day service is not available at any time of the day between the origin post office and the destination post office or because the customer arrived at the post office after the acceptance cutoff time for next-day service.

a. Based solely on the information given in the opening paragraph of this interrogatory, please explain whether the Postal Service should and will accept this Express Mail item.

b. Based solely on the information given in the opening paragraph of this interrogatory, please explain the level of Express Mail service that the Postal Service should guarantee this customer — Next Day, Second Day, or something else. If the answer is not Next Day or Second Day, please provide a citation to postal regulations and the DMCS.

c. Suppose the destination post office does not receive mail on Day 3 (two days after Day 1). Should the Postal Service accept this item? Please explain.

d. Suppose the destination post office does not receive mail on Day 3 (two days after Day 1). Which level of Express Mail service should the Postal Service guarantee this customer — Next Day, Second Day, or something else? Please explain. If the answer is not Next Day or Second Day, please provide a citation to postal regulations and the DMCS.

e. Suppose the destination post office does not receive mail on Day 3 (two days after Day 1). Assume the same facts as in the opening paragraph of this interrogatory, except the customer calls 1-800-222-1811 to determine the level of service — Next Day, Second Day, or something else — that is available for his Express Mail item, rather than visiting a retail window. Which level of Express Mail service should the postal representative inform the customer is available — Next Day, Second Day, or something else?

f. In (e), please confirm that, in determining whether to use Express Mail service, a customer may rely on the information provided by telephone about the service level that is available. If you do not confirm, please explain.

g. In (e), please confirm that a customer may rely on the information provided by telephone about the service level that is available and deposit the item in an Express Mail collection box.

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

DFC/USPS-79 Response.

a. Based on the information given, the item would be accepted.

b. Based on the information given, the guarantee should be for second day service.

c. The Postal Service should accept this item. Existing operations policies allow for post offices to institute exceptional transportation when service commitments require. The fact that an office does not normally receive mail on a particular day therefore does not necessarily preclude delivery of the piece in accordance with the service guarantee.

d. Based on the information given, the guarantee should be for second day service.

e. Second day service.

f.-g. Confirmed. Please note that it would not be possible for the exceptional transportation decisions referred to in part (c) to be known by window clerks or other postal information sources.

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

DFC/USPS-80. Please refer to the response to DFC/USPS-23(b)–(d) and explain approximately how many instances constitute "a few limited instances."

DFC/USPS-80 Response

Dispatch schedules are controlled locally; therefore a national count of such offices is not available. Based on available estimates, the approximate number of offices dispatching fewer than six days per week is well below 1 percent

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

DFC/USPS-87. Please refer to the response to DFC/USPS-76. Suppose a customer sends an Express Mail article to a post-office box located in a facility whose box lobby is open on Sundays, but the facility does not receive Express Mail on Sunday; rather, Express Mail destined to street addresses in that facility's service area is delivered by the plant or a large post office. The Postal Service guarantees delivery of this Express Mail article on Sunday before the closing time of the box lobby.

a. If the sender waived the signature requirement and the Express Mail article will fit in the customer's box, will this Express Mail article be delivered to the recipient's post-office box on Sunday? Please explain and provide copies of policies and directives on this subject. Your response should have nationwide application.

b. If the sender did not waive the signature requirement, will a delivery attempt be made to the recipient's post-office box? Please explain and provide copies of policies and directives on this subject. Your response should have nationwide application.

c. If the answer to (b) is yes, please confirm that the recipient will not be able to receive the article on Sunday if no staff is working at the facility. If you do not confirm, please explain.

d. If the answer to (b) is yes, suppose that the recipient's postal facility is staffed on Sundays. Please confirm that the recipient's postal facility may not have a method for customers to contact the staff to pick up Express Mail articles on Sundays. If you do not confirm, please explain.

e. If no telephone number is listed on the Express Mail label for the recipient and the recipient's box lobby is not open on Sundays, please confirm that the Express Mail article will not be delivered on Sunday in a way that will allow the recipient to receive it on Sunday. If you do not confirm, please explain.

RESPONSE:

As a general note, many post office box lobbies are accessible by customers 24 hours a day, 7 days a week, to allow customers to retrieve any mail contained therein.

However, the lobbies' being open to customer access to the post office boxes is not an indication that the office is staffed on Sundays for the purpose of distributing mail to the boxes, as few offices perform this function on Sundays.

Also, please note that there are no nationwide policies and directives on this subject.

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

a. If the specific office is staffed on Sunday for the purpose of distributing mail into post office boxes and a dispatch of mail (including Express Mail) is received, the Express Mail article would be placed in the box if it would fit and had the signature waiver signed.

b. If the specific office is staffed on Sunday for the purpose of distributing mail into post office boxes and a dispatch of mail (including Express Mail) is received, a notice announcing the arrival of the Express Mail article would be placed in the box.

c. If the Express Mail article is addressed to a post office box, and there is no staff working in the facility on Sunday, the intended recipient will not be able to receive the article on Sunday as there would be no one there to provide the service.

d. If the specific office is staffed on Sunday for the purpose of distributing mail into post office boxes and a dispatch of mail (including Express Mail) is received, on a case by case basis the facility would provide a mechanism for customers to contact the staff for retrieving Express Mail articles which arrived with a Sunday commitment.

e. Confirmed.

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

DFC/USPS-88. Please refer to the response to DFC/USPS-76. Suppose a customer sends an Express Mail article to a rural address — using the format RR 2, Box 100 — served by a facility that does not receive Express Mail on Sunday. Will the plant or large post office have sufficient information about rural routes to determine where RR 2, Box 100 is located, and will this Express Mail article be delivered on Sunday? Please explain and provide copies of policies and directives on this subject. Your response should have nationwide application.

RESPONSE:

There are no nationwide policies and directives on this subject. It is unlikely that the article would be delivered to a rural route address with the format of RR2, Box 100, due to the lack of information you note. It would then be delivered on Monday by the rural route carrier.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF DOUGLAS F. CARLSON
(REDIRECTED FROM WITNESS ROBINSON)

DFC/USPS-T34-8. Please provide the following information for the most-recent fiscal year for which it is available, and please specify the measurement system from which these data are obtained:

a. The percentage of First-Class Mail for which the delivery standard is one day that arrives in one day.

b. The percentage of First-Class Mail for which the delivery standard is two days that arrives in two days.

c. The percentage of First-Class Mail for which the delivery standard is three days that arrives in two days.

d. The percentage of First-Class Mail for which the delivery standard is three days that arrives in three days.

e. The percentage of Priority Mail for which the delivery standard is one day that arrives in one day.

f. The percentage of Priority Mail for which the delivery standard is two days that arrives in two days.

g. The percentage of Priority Mail for which the delivery standard is three days that arrives in two days.

h. The percentage of Priority Mail for which the delivery standard is three days that arrives in three days.

RESPONSE:

The following FY 1999 data was obtained from the Origin-Destination Information System (ODIS). This data measures service performance from the origin office to the delivery office, NOT delivery to the recipient's address.

a. 93 percent.

b. 87 percent.

c. 41 percent.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF DOUGLAS F. CARLSON
(REDIRECTED FROM WITNESS ROBINSON)

d. 85 percent.

e. 85 percent.

f. 74 percent.

g. 45 percent.

h. 76 percent.

Source: ODIS Standard SSA Reports.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF DOUGLAS F. CARLSON REDIRECTED FROM WITNESS ROBINSON

DFC/USPS-T34-10. Please provide any data, information, or analysis to confirm that Priority Mail flat-rate envelopes weighing one to three ounces should cost less to process and transport than Priority Mail flat-rate envelopes weighing four to 16 ounces.

RESPONSE:

Priority Mail flat-rate envelopes weighing one to three ounces should cost less to transport via air and water than Priority Mail flat-rate envelopes weighing four to 16 ounces because air and water transportation costs are pound-related (see USPS-T-28 page 9 lines 25-26). Highway and rail costs are cubic foot mile-related, so to the extent that Priority Mail flat-rate envelopes weighing four to 16 ounces are larger than Priority Mail flat-rate envelopes weighing one to three ounces, they will cost more to transport via highway and rail. (see USPS-T-28 page 9 line 30).

The cost differences in processing Priority Mail flat-rate envelopes weighing one to three ounces versus Priority Mail flat-rate envelopes weighing four to 16 ounces are less clear. No study has been conducted specifically analyzing the effect of weight on costs for Priority Mail flat-rate envelopes; however, the testimony of witness Daniel (USPS-T-28) at page 3 lines 17-20 and page 12 line 16 through page 13 line 2 makes the following observations:

> In general, although the cost of handling letters tends to increase as weight increases, the costs of handling flats and parcels do not appear to increase as weight increases in the lighter weight increments, but do tend to increase in heavier weight increments. . . .
>
> An analysis of these data suggests that weight does not appear to have the same effect on the cost of most flats as it does on letters. The unit cost of Single-Piece flats weighing less than one-ounce appear to be much more costly to handle than the average flat. This may be attributed to the flimsy nature of light-weight flats, which could jam or fly off the machines, thereby requiring manual handling. For all classes, the flats unit cost curve is "u-shaped." This has been a longstanding feature of the unit costs, as shown by witnesses Madison in Docket No. R84-1 and McGrane in Docket Nos. MC95-1 and R97-1.

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

DFC/USPS-T39-2. Please refer to the Postal Service's responses to Docket No. R97-1 interrogatories DFC/USPS-9 and DFC/USPS-19. Please provide a complete update on the Postal Service's efforts to ensure that post offices deliver box mail by the cutoff time posted in the box lobby. Please include documentation and directives that discuss the need to deliver mail by the posted cutoff time.

RESPONSE:

The referenced responses from Docket No. R97-1 are still valid, including the quotation from the only applicable documentation. However, the expectation of a rolling out the monitoring of box cutoff times to additional offices has not been realized and is not currently scheduled. This can be traced to at least two causes. First is cost: expansion to delivery units that have a small impact on overall First-Class Mail volume is not justified. Second, the capability of monitoring compliance with box mail cutoff times is a minor feature in a larger system intended to monitor the flow of mail (primarily First-Class Mail) throughout the mail processing system. The focus has been on providing management with the most useful information.

Revised May 8, 2000

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

DFC/USPS-T39-36. Please refer to your response to DFC/USPS-T39-10.

b. To enhance the record on this subject via examples, please explain why customers may not receive mail and access their post office boxes on Saturdays at the Byron Rumford Station in Oakland, California, the post office in Babb, Montana, and the station located in the Port Authority Bus Terminal in New York, New York.

d. Please confirm that access to the box section on Saturdays at the Byron Rumford Station could not have been accommodated architecturally. If you do not confirm, please explain.

RESPONSE:

b. There is no pre-existing written policy, statement or other guidance addressing reasons why no Saturday access is provided.

d. The Postal Service cannot confirm that the architecture at the Byron Rumford Station absolutely precludes access to the box section. That architecture provides access from the box lobby to the elevators of a federal facility that is otherwise completely locked on weekends for security reasons.

Response of United States Postal Service
to
Interrogatories of FGFSA
(Redirected from witness Bradley)

FGFSA/USPS-T18- 3. For each purchased highway transportation contract covering each Intra-BMC and Inter-BMC transportation entered into or renewed during the 12 months immediately preceding August, 1998, provide:

a. All data concerning mail volume, such as pieces, weight and cubic feet, actually experienced during the year before the new or renewal contract, as well as the volume projected for the period of the new or renewal contract, that was taken into consideration in determining the cubic foot capacity covered by the contract.

b. All data concerning any changes in the frequency or timing for each trip for the transportation service to be provided pursuant to the new or renewal contract which was taken into consideration in determining the cubic foot capacity covered by the contract.

c. All data concerning utilization of the transportation service during the year or other period prior to the new or renewal contract, or projected for the period of the contract, which was taken into consideration in determining the cubic foot capacity covered by the contract.

d. All other data which was taken into consideration in determining the cubic foot capacity covered by the contract.

FGFSA/USPS-T18- 3 Response:

a.-d. As explained by witness Young in Docket No. R97-1, the specification of a new or renewed contract depends upon the historical experience at the local level with a variety of factors. Consequently, there is no set of data which is used to determine local contract specifications, including cubic foot capacity or the frequency of trips.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF GCA
(REDIRECTED FROM WITNESS BERNSTEIN)**

GCA/USPS-T41-37.

a. Does the Postal Service subscribe to the principle that as many of its total costs as possible should be attributed by class, subclass and rate category.

b. As a percentage of total costs for the Postal Service as a whole, and by major class, have attributable costs gone up or down in R2000-1 and in R97-1, by comparison with R94-1 and R90-1?

c. Please confirm that under Ramsey pricing, reducing attributable costs and increasing the common cost pool, e.g. by using less than 100% volume variabilities for mail processing labor costs, results in more total costs being absorbed by the most price inelastic classes of mail, and fewer total costs being absorbed by the most price elastic mail classes.

RESPONSE:

a. As generally understood in the postal ratemaking process, the attribution exercise has been conducted at the subclass level, not at the class level, and not at the rate category level. The Postal Service subscribes to the principle that the attribution exercise should be conducted with the objective of providing the most accurate possible estimates of subclass costs. By definition, accurate subclass costing will attribute to subclasses as many of the Postal Service's total costs as possible, in the sense that it is impossible to attribute accurately to subclasses any more of the Postal Service's total costs. The Postal Service, however, does not subscribe to the principle that seeking either higher or lower levels of attribution, *a priori*, is an appropriate objective of the attribution exercise, as that would conflict with the objective of providing the most accurate possible estimates of subclass costs.

b. The question is unclear as to exactly which costs are requested to be compared. In Docket Nos. R97-1 and R2000-1, the Postal Service has presented estimates of both volume-variable and incremental costs. No estimates of incremental

costs, however, were presented in Docket Nos. R90-1 and R94-1. To simplify comparisons across all four dockets, therefore, one can examine the Postal Service's estimates of volume-variable costs in the base year in each of the four cases. In Docket No. R90-1, according to witness Barker's Exhibit USPS-13C (Revised March 30, 1990), volume variable costs were 65.6 percent (25493.8/38858.9) of total base year costs. In Docket No. R94-1, according to witness Barker's Exhibit USPS-4(S)C, volume variable costs were 60.4 percent (30025.1/49751.1) percent of total base year costs. In Docket No. R97-1, according to witness Alexandrovich's Exhibit USPS-5C, volume variable costs were 56.7 percent (31146.9/54976.6) of total base year costs. In Docket No. R2000-1, according to witness Meehan's Exhibit USPS-11C, volume variable costs are 59.9 percent (35689.2/59566.5) of total base year costs. The same sources can be consulted for information about subclass costs.

c. Not confirmed. This question poses a hypothetical shift of costs from the totality of costs distributed to subclasses on a causal basis during the costing process, to the totality of costs not so distributed, and therefore allocated during the pricing process. In order to be able to state which types of subclasses of mail (e.g., more elastic, less elastic) are winners or losers in this shift, it would first be necessary to know how the shifting costs were previously distributed during the costing process. It is possible that net effect of the entire exercise could be to leave a more price elastic subclass with *more* costs, depending on the original distribution of shifting costs. This is true regardless of the approach employed during the pricing process to allocate institutional costs, Ramsey or otherwise. You cannot predict the consequences of

allocating shifting costs via the pricing process unless you know how they were previously allocated via the costing process.

The question, moreover, seems to ignore the context of the hypothesized shift in costs. The context, at least in the example given, is an improvement in the accuracy of subclass cost estimates. The objective to obtain the best possible subclass cost estimates exists entirely independent of Ramsey pricing. Moreover, the usefulness of the information provided by a Ramsey analysis applying the best available cost estimates is not diminished by the fact that its results would change relative to a Ramsey analysis applying inferior cost estimates. The results of almost any rational pricing procedures would likely change, given large enough shifts in the underlying subclass cost estimates. A Ramsey analysis is like any other pricing process, in that it simply takes the subclass costs as given. The fact that improvements in the costing process can have the effect of shifting the classification of costs (between attributable and institutional) simply has no bearing on the entirely separate issue of whether the pricing process is better informed with the availability of a Ramsey analysis.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF THE GREETING CARD ASSOCIATION (REDIRECTED FROM WITNESS BERNSTEIN)

GCA/USPS-T41-40.

a. Please confirm that Ramsey pricing would enable the Postal Service to shift the costs of R&D and investment, for example in delivery systems, needed to capture the emerging dynamic e-mail commerce package business onto price inelastic customers in First-Class mail and elsewhere.

b. Please confirm that such cost shifting could constitute cross-subsidization where costs that could have much higher attribution, such as delivery costs, instead are largely assigned as institutional costs.

RESPONSE:

a.-b. Not confirmed. Ramsey pricing does not "enable" the Postal Service to do anything except bring useful additional information to bear on the pricing process, for use by the Postal Service, the Commission, and any other interested party. Nothing about Ramsey pricing changes the respective roles within the ratemaking process of either the Postal Service or the Commission. Moreover, the underlying premise of both portions of this question appears to be an assumption that the Postal Service has somehow failed to identify or estimate accurately the costs (more specifically, the incremental costs) of one or more subclasses. If costs that are incremental to one or more subclass are not required to be recovered through the rates for that subclass or group of subclasses, the possibility of cross-subsidization does arise. That possibility, however, is in no way related to the extent to which demand information is used, in a Ramsey model or otherwise, for purposes of improving the allocation of costs that have not been causally related to a subclass or group of subclasses. Alleged deficiencies in the costing process, if substantiated, should be rectified with improvements in the costing process.

The Postal Service submits that its proposal in this case reflects appropriate costing and, moreover, is unaware of any reliable basis for the statement that "delivery costs" could "have much higher attribution," or the suggestion that R&D costs or investment costs have not been treated appropriately.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF KEYPSAN
REDIRECTED FROM WITNESS CAMPBELL

KE/USPS-T29-2

On page 8 of your prepared testimony, you show the flow of advanced deposit BRM through the incoming facility. On page 9 of your prepared testimony, you state, "[a]t facilities without BRMAS operations, QBRM is counted, rated and billed using a variety of methods, both manual and automated" and identify the two most commonly used counting methods: manual and end-of-run report counts.

. . .

(e) What operational factors or other considerations determine whether the QBRM reply mail is processed by a BRMAS operation, other barcode sorter operation, or the manual operation?

RESPONSE:

The following factors are among those which affect whether BRMAS (or a variation thereof) is employed at a given facility: availability of bar code sorters and whether other mail processing operations have priority during critical processing windows; local commitment to upkeep of BRMAS (or similar) sort programs; whether bar code sorters necessary for BRMAS and postage due unit are located in same facility; whether there are accounts with sufficiently high volumes to motivate a facility to seek more efficient counting methods than manual counting; early customer pick-up times which encourage selection of accounting methods most likely to help postage due unit meet customer's needs; local discipline in capture of end-of-run bin counts; degree to which postage due unit finds EOR bin counts reliable; availability of counting machines.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF KEYPSAN
REDIRECTED FROM WITNESS CAMPBELL

KE/USPS-T29-10(d)

On page 16, footnote 5 of your testimony you note that "Field observations confirmed that manual distribution productivity has not changed significantly since 1989."

. . .

(d) Has the Postal Service considered wider implementation of weighing techniques for QBRM pieces received in large quantities, in view of the newly implemented classification for nonletter-size BRM received in bulk? Please explain your answer.

RESPONSE:

Weight averaging is an accounting method which was employed by some postage due units for Business Reply Mail accounting -- for letters and nonletter-size pieces -- long before the experiment which resulted in establishment of the new classification for weight-averaged nonletter-size BRM. When implemented in accordance with standards developed during the experiment, weight averaging is superior to the standard labor-intensive piece-by-piece weighing and rating method for nonletter-size BRM accounts. It appears to be the only practical alternative accounting method for nonletter-size BRM. Above a certain volume threshold, it is less expensive for high-volume nonletter-size BRM accounts.

Given the availability of BRMAS (and its offshoots) and reliable end-of-run bin counts at many locations, there are a variety of alternatives which are superior to manual rating and billing for QBRM letters. However, implementation and maintenance of the BRMAS system has not been as successful as it was earlier projected to be.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF KEYPSAN
REDIRECTED FROM WITNESS CAMPBELL

Response to KE/USPS-T29-10(d) continued

Consequently, there is a lot of QBRM which, arguably, could be counted using automated mail processing equipment, but for a variety of reasons (see the responses to KE/USPS-T29-2(e) and 9(g)), is not.

If properly implemented for sufficiently high volume accounts, weight averaging can be a vastly superior accounting method, when compared to manual QBRM piece counts, where BRMAS or other efficient methods are not available. Weight averaging of QBRM would seem to be less complicated that it is for nonletter-size BRM, considering one would expect to find less weight variability in the mail pieces for a particular account. However, the Postal Service has not analyzed QBRM weight averaging to determine the accuracy or reliability of the various "home-grown" applications. There are no standard procedures in place. Nor has the Postal Service determined whether weight averaging of QBRM is being applied only in circumstances where other efficient methods are unavailable or only in circumstances where it is the best available option.

Given the variety of efficient alternatives to manual accounting of high-volume QBRM, it may not be appropriate to establish a "weight-averaged" category of QBRM. Establishment of such a category could serve to discourage the use of automation-based accounting methods in circumstances where they are otherwise available and superior.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF KEYPSAN
REDIRECTED FROM WITNESS CAMPBELL

KE/USPS-T29-22

In Docket No. R97-1, USPS witness Schenk noted that Prepaid Reply Mail (PRM) service would be advantageous for some high-volume BRMAS-qualified BRM recipients. If there is migration of BRMAS qualified volumes to PRM, the BRMAS coverage factor would change, which would affect the cost of BRMAS-qualified BRM." USPS-T-27, p.13).

. . .

(c) Do you agree that a BRM recipient who received large volumes would be the type of Postal customer who would have taken advantage of the proposed PRM service, if it had been implemented, and who will take advantage of the new, 3-cent QBRM fee that the Postal Service proposes in this case. If you do not agree, please explain and provide all documents reviewed by you in connection with the formulation of your response to this interrogatory.

RESPONSE:

It was anticipated that some "large" volume BRM recipients would find PRM attractive. It is anticipated that some of the same "large" volume BRM (now QBRM) recipients will take advantage of the proposed 3-cent fee.

**RESPONSE OF THE USPS
TO INTERROGATORY OF KEYSPAN ENERGY
REDIRECTED FROM WITNESS CAMPBELL**

KE/USPS-T29-43.

Please refer to your response to KE/USPS-T29-22 (b), where you state that BRM operations are unlikely to change because of the newly proposed 3-cent fee.

(a) Did the BRM operations for processing nonletter-size pieces change when the new classification and lower fee went into effect as a result of the stipulation and agreement approved by the Commission and the Board of Governors in Docket No. MC99-2? Please explain.

(b) What plans, if any, does the Postal Service have to process more efficiently the QBRM reply letters received by individual recipients customers in high volume? If the Postal Service does have such plans, please provide all documents that discuss such plans.

RESPONSE:

(a) No. Weight averaging was taking place at seven sites during the Docket No. MC99-1 extension of the experiment. Those seven sites carried on as before when the permanent Docket No. MC99-2 fees were implemented in February 2000.

(b) The Postal Service has not developed any concrete plans, on a national basis, to more efficiently process QBRM or perform associated accounting for high-volume accounts. This is not to imply that individual sites will not initiate their own improvement efforts.

REVISED RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES OF KEYSPAN ENERGY REDIRECTED FROM WITNESS FRONK (4/19/00)

KE/USPS-T33-3. Please refer to the Postal Service's institutional response to Interrogatory KE/USPS-T33-2. That interrogatory sought certain information regarding the effect on QBRM recipients of the Board of Governors' rejection, in Docket No. R97-1, of the Postal Service's own proposal to establish a new service called Prepaid Reply Mail (PRM).

(a) Is it your understanding that the potential customers for Prepaid Reply Mail (PRM) service were high volume BRM recipients who had qualified for the then effective BRMAS BRM per piece fee of 2 cents? If that is not your understanding, please explain.

(b) Please confirm that, under the Postal Service's fee design proposals in Docket No. R97-1, a potential Prepaid Reply Mail (PRM) customer would have to receive at least 200,000 pieces of PRM annually before the customer would begin to pay lower overall reply mail postage fees than the customer would pay as a QBRM recipient. If you cannot confirm, please explain why not.

(c) Please confirm that, when the Postal Service derived the per-piece fee for QBRM, the Service assumed that approximately 287 million pieces of high volume BRMAS BRM reply letters would migrate to the proposed Prepaid Reply Mail (PRM) service. *See* Docket No. R97-1, USPS-T-32, p.42.

(d) Is it your understanding that when the Board of Governors rejected the Postal Service's own proposal to establish a Prepaid Reply Mail (PRM) service in Docket No. R97-1, the Governors did not modify the Commission's QBRM cost analysis that supported the 5-cent QBRM per piece fee recommended to the Governors? Please explain.

(e) Is it your understanding that when the Board of Governors rejected the Postal Service's own proposal to establish a Prepaid Reply Mail (PRM) service, the Governors did not modify the Commission's 5-cent QBRM per piece fee that it recommended to the Board of Governors in Docket No. R97-1? Please explain.

(f) Do you agree that, when the Board of Governors rejected the Postal Service's own proposal to establish the Prepaid Reply Mail (PRM) service, existing high volume BRMAS BRM recipients, who had been paying a per piece fee of 2 cents, had no choice but to use QBRM service and pay a per piece fee of 5 cents, i.e two-and-a-half times the per piece fee they had been paying? If you do not agree, please explain what other options were available to these high volume BRMAS BRM recipients.

(g) Do you agree that, by rejecting the Postal Service's own PRM proposal and accepting without modification the Commission's QBRM cost analysis and 5-cent per piece rate recommendation, the Board of Governors effectively accepted a QBRM per piece fee that did not reflect 287 million lower-cost BRMAS BRM pieces in the derivation of the unit cost to process QBRM letters. If you do not agree, please explain.

REVISED RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES OF KEYSPAN ENERGY REDIRECTED FROM WITNESS FRONK (4/19/00)

KE/USPS-T33-3 (continued)

(h) In your opinion, is the current QBRM per piece fee of 5 cents as approved by the Board of Governors based on a cost analysis that overstates the unit cost to process QBRM letters? Please explain.

RESPONSE:

(a) – (c) Answered by witness Fronk.

(d) The Governors' decision contains no discussion of a modification of the Commission's QBRM cost analysis.

(e) The Governors' decision did not modify the Commission's recommended QBRM per-piece fee.

(f) Yes, but QBRM customers also saw their postage rate decline. Before the implementation of Docket No. R97-1, BRMAS BRM letter recipients would pay 34 cents per piece (full single-piece postage of 32 cents + a 2-cent BRMAS per piece fee). Since the implementation of Docket No. R97-1, QBRM letter recipients pay 35 cents per piece (discounted single-piece postage of 30 cents + a 5-cent QBRM per piece fee). The overall one-cent increase experienced by BRMAS/QBRM recipients was in line with the increases experienced by other First-Class Mail customers.

(g) The Postal Service disagrees with this characterization because it is inaccurate. The Postal Service acknowledges that the QBRM cost analysis in support of its QBRM per-piece fee proposal in Docket No. R97-1 did assume that approximately 287 million BRMAS BRM letters would migrate to PRM. This assumption was discussed in the testimony of Postal Service witness Schenk (Docket No. R97-1, USPS-T-27 at pages 12-13) and captured methodologically in her reduction of the BRMAS coverage factor from 14.2 percent to 5.9 percent. However, it is the Postal Service's understanding that the PRC did not accept the Postal Service's assumption

REVISED RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES
OF KEYSPAN ENERGY REDIRECTED FROM WITNESS FRONK
(4/19/00)

RESPONSE to KE/USPS-T33-3 (continued)

about migration of pieces to PRM when it recalculated QBRM fee costs for its Docket No. R97-1 Decision and reduced the proposed 6-cent per-piece fee to 5 cents. The PRC used the BRMAS coverage factor of 14.2 percent, not 5.9 percent. Please see the Docket No. R97-1 Opinion and Recommended Decision at paragraph 5174, and PRC-LR-10 at Chapter IV.

(h) No. Please see response to part (g).

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORY OF MCGRAW HILL

MH/USPS-1: With respect to domestic air transportation costs for Periodicals mail:

a. Please confirm that in R97-1, the 1998 TYAR costs were determined to be $17.425 million. If you do not confirm, please state the correct amount of the TYAR costs determined in R97-1, and specify your source.

b. Please confirm that in this proceeding, the 1998 BY costs are estimated to be $23.778 million. If you do not confirm, please state the correct amount of the estimated BY costs in this proceeding, and specify your source.

c. Please explain fully all reasons (operational and otherwise) why the BY 1998 domestic air transportation costs attributed to Periodicals mail in this proceeding are 36.5 percent higher than the TYAR 1998 domestic air transportation costs attributed to Periodicals mail in R97-1, and why air transportation is being used for Periodicals mail to this extent, and provide all documents that discuss such reasons.

RESPONSE

a. Not confirmed. In R97-1, the Postal Rate Commission determined Periodicals domestic air transportation costs to be $17.458 million. $17.425 million is the domestic air costs excluding Alaskan Air. See page 13 of Appendix J to its Opinion and Recommended Decision, Docket No. R97-1.

b. Not confirmed. According to witness Meehan's B workpapers, the Base Year domestic air transportation costs for Periodicals are $23.954 million. $23.778 million is the Periodicals domestic air costs excluding Alaskan Air.

c. Periodicals' share of non-Alaska air transportation costs was higher for BY 1998 than for TY 1998. Since most of this share is determined by TRACS, the Postal Service concludes that a higher percentage of the pound miles of mail flown in FY 1998 were flown by Periodicals than in BY1996. (BY 1996 is the source of the distribution keys implicit in TY 1998.) In short, Periodicals

appeared to use more air transportation in 1998 than was predicted in Docket No. R97-1. The shares of Periodicals costs in the Commercial Air, Eagle, Western, and Christmas cost pools were all higher for BY 1998 than they were for TY 1998. About 80 percent of the Periodicals air costs derive from the passenger air cost pool. The distribution factor for this cost pool implicit in the TYAR result is 1.67 percent. For BY 1998, the factor is 2.26 percent, a 37.4 percent increase. This share increase is thought to be the result of a commingling of Periodicals flats with First-Class and other mail normally routed on air transportation. This commingling may occur when the mail in flat sorting operations is not adequately separated between Periodicals and other mail. The separation can be accomplished by such additional activities as sweeping flat sorting machines between the processing of Periodicals and other mail that normally receives air transportation. Beginning in FY 1999, the Postal Service undertook an effort to move Periodicals off of air transportation. There are no documents describing the above reasoning. There is also the possibility that the difference in shares is partly explained by random variations in the TRACS distribution keys. The Postal Service has no estimate of whether or to what extent statistical variance may have affected the result.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORIES FROM MAJOR MAILERS ASSOCIATION

MMA/USPS-1 Please refer to the Executive Summary of the Address Deficiency Study which appears at the following Uniform Resource Locator: http://ribbs.usps.gov/files/uaa/uaasum.pdf.

(a) Please confirm that the referenced study was performed during 1998 by Pricewaterhouse Coopers for the Postal Service Office of Address Management. If you cannot confirm, please explain why not.

(b) Please provide a copy of the complete Address Deficiency Study.

(c) Please confirm that the term "Move Update" refers to Postal Service programs whose objective is to make sure that customers' address lists are kept up-to-date. If you cannot confirm, please explain.

(d) Please confirm that "Move Update" programs include the following:

(1) National Change of Address (NCOA);
(2) FAST forward (MLOCR and MLC);
(3) Address Change Service (ACS); and
(4) Computerized Forwarding Systems (CFS).

(e) Please state which of the Move Update programs listed in part (d) must be utilized by First-Class Automation mailers in order for them to remain eligible for discounted First Class rates?

(f) Please confirm that the term "Address Quality" refers to Postal Service programs whose objective is to make sure that customers' addresses are of sufficient quality and accuracy to be read by automated equipment. If you cannot confirm, please explain.

(g) Please confirm that "Address Quality" programs include the following:
(1) Delivery Sequence File (DSF);
(2) Address Element Correction (AEC);
(3) Coding Accuracy Support System (CASS);
(4) Multiline Accuracy Support system (MASS);
(5) Locatable Address Conversion System (LACS); and
(6) National Deliverability Index (NDI).

(h) Please state which of those programs listed in part (g), must be utilized by First-Class Automation mailers in order for them to remain eligible for discounted First Class rates?

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORIES FROM MAJOR MAILERS ASSOCIATION

MMA/USPS-1 continued

(i) Please confirm that in 1998, it cost the Postal Service an average of 28.56 cents to process Undeliverable-As-Addressed (UAA) mail? See page 6 of the Executive Summary of the Address Deficiency Study. If you cannot confirm, please explain.

(j) Please confirm that in 1998, "Move Update" and "Address Quality" programs saved the Postal Service at least $1.505 billion because of reduced forwarding and return services that had to be provided? See page 7 of the Executive Summary of the Address Deficiency Study. If you cannot confirm, please explain.

(k) Please confirm the following quote from page 8-9 of the Executive Summary of the Address Deficiency Study.

> In 1997, the USPS introduced the Move Update requirement. The purpose of this requirement was to encourage customers to use mailing list maintenance practices that would maximize the number of First Class mail pieces that are deliverable as addressed. The primary purpose is to maintain the focus on updating due to change-of-address. The Move Update requirement requires mailers to select from one of the following four methods to remain eligible for discounted First Class rates:
>
> - National Change of Address (NCOA)
> - Address Change Service (ACS)
> - FASTforward
> - Ancillary Service Endorsements

(l) Please confirm that, according to the Executive Summary of the Address Deficiency Study (p. 14), in 1998, 5.392% of all mail would have required forwarding and/or return service, but as a direct result of the Move Update programs, i.e. mailers checking and correcting their mailing lists, only 2.73% of all mail required such service. If you cannot confirm, please explain.

(m) What was the average clerk/mailhandler hourly wage rate in FY 1998, comparable to the Test Year average rate of $28.24 as provided in LR-I-106?

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORIES FROM MAJOR MAILERS ASSOCIATION

RESPONSE to MMA/USPS-1:

The document which appears at the referenced website address is an electronic Summary of an Undeliverable-As-Addressed (UAA) Mail Study, not the Address Deficiency (AD) Study.

(a) The UAA study was performed in 1999.

(b) A copy of the AD study will be filed as USPS Library Reference I-192.

(c) The Move Update is a UAA Mail program which exists to minimize the number of mail pieces that cannot be delivered to the person or business at the address indicated on the mail piece. In other words, the program goal is to maximize delivery to the initially identified addressee at the initially identified address.

(d) Confirmed, except the product identified in (d)(4) is not a Move Update product. See response to part (e) below.

(e) See Domestic Mail Manual E140.1.1d-f. Mailers must use NCOA, FAST*forward*, ACS, or another USPS-approved method; or the mail must bear an ancillary service endorsement under DMM F010.

(f) Confirmed.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORIES FROM MAJOR MAILERS ASSOCIATION

Response to MMA/USPS-1 (continued)

(g) Confirmed, with respect to all of these products, except MASS. It does not affect the quality of an address; it affects the quality and accuracy of a barcode applied to a mail piece. Bear in mind that the list provided in the question is not exhaustive.

(h) See response to part (e).

(i) Confirmed, that page 6 of the electronic Summary of the UAA Study includes such an estimate.

(j) Confirmed, that page 7 of the electronic Summary of the UAA Study includes such an estimate.

(k) The quote appears at pages 8-9 of the electronic Summary of the UAA Study.

(l) Confirmed, that page 14 of the electronic Summary of the UAA Study includes such an estimate.

(m) $25.12.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

MMA/USPS-2. Please refer to the untimely institutional response to Interrogatory MMA/USPS-T32-3, redirected from USPS witness Virginia J. Mayes. Please provide an updated version of LR-I-131 that incorporates all up-to-date changes that have been filed by USPS witnesses. Specifically, please provide as an attachment to your response Table E of Volume H and Table E of Volume J.

RESPONSE:

Whatever changes have been noted by Postal witnesses have been filed as errata and incorporated into the record accordingly. To provide an updated version of LR-I-131 that incorporates all up-to-date changes that have be filed by USPS witnesses requires completely rerunning LRs-I-130 and 131, the Postal Service's COBOL presentation of the Commission's cost model. The Postal Service has not rerun its own cost model because the impact of the changes are either evident from each witness's presentation or are not materially significant; thus, the time and expense of rerunning the model and printing the thousands of pages have not been contemplated. In the absence of rerunning the entire model, in its revised response to MMA/USPS-T32-2 (redirected to the Postal Service), filed 5/8/00, the Postal Service has provided the equivalent of the information provided by witness Mayes, USPS-T32, in the errata to her testimony. From this information, parties can determine the implications of Postal Service errata on the Commission's cost model.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

MMA/USPS-3. Please refer to the untimely institutional responses to Interrogatory MMA/USPS-T32-2-3, redirected from USPS witness Virginia J. Mayes. Please explain how total costs for the test year on a before rates and after rates basis can be different if computed using the Postal Service's methodology for attributing costs rather than the Commission's methodology for attributing costs? In the event that they should be identical, please show that this is so by filling in the table below.

	USPS Method	PRC Method
	TYAR TYBR	TYAR TYBR
Volume Variable Costs		
Other Costs		
Total Costs		

RESPONSE:

Please refer to the arithmetic example presented in the revised response to MMA/USPS-T32-2 (redirected to the Postal Service) filed 5/8/00. Hopefully, this example and explanation will dispel the confusion that caused MMA in its motion to compel to comment on page 5 that "[t]he Postal Service well knows that the choice of cost methodology does not change the level of total costs" and in the accompanying footnote "[b]ased on MMA's information and belief, there is no logical reason why there should be a difference in the total costs regardless of which costing methodology is used."

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION REDIRECTED FROM WITNESS MILLER

MMA/USPS-T24-2 On page 12 of your prepared testimony, you set the value of the cancellation and metered mail preparation cost pool (1Cancmmp) to zero in order to further isolate the costs for bulk metered mail ("BMM") letters from those for metered letters.

(a) Please provide copies of all Postal regulations that are applicable to the entry requirements for BMM.

(d) Do postal personnel ever pick up BMM at the mailer's place of business? If not, please provide copies of the relevant Postal regulations which prohibit postal service personnel from picking up BMM at the mailer's place of business.

RESPONSE:

(a),(d) The entry requirements for Bulk Metered Mail (BMM) letters are the same as those for all First-Class Mail as specified in DMM 55 Section D100.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION REDIRECTED FROM WITNESS MILLER

MMA/USPS-T24-3 On page 12 of your prepared testimony, you state that BMM is "the most likely to convert to worksharing."

(a) What is the average unit weight for First-Class metered letters?

(b) What portion of metered First-Class letters is prebarcoded?

(c) What portion of First-Class BMM letters is prebarcoded?

(d) What volume of First-Class letters was entered as BMM during the base year?

(e) What was the average volume per BMM mailing during the base year?

(f) What incentives are there for BMM mailers to drop their trayed letters at a local post office?

(g) Are there any address requirements for BMM, similar to those in effect for Automation First-Class letters?

(h) When a First-Class mailer includes reply envelopes in outgoing BMM letters, is there a requirement that such reply envelopes be prebarcoded and machineable, the requirement applicable for reply envelopes included in outgoing Automation First-Class letters?

(i) Before volumes of nonpresorted letters were able to convert to presorted letters by virtue of being commingled with other First-Class letters by a presort bureau, were such letters brought to the post office in trays, similar to BMM? Please explain your answer.

(j) Are presort bureaus the major source for new First-Class Automation letter volumes which convert from First-Class Single Piece letters?

RESPONSE:

(a) An estimate for the average weight for a First-Class single-piece metered letter is 0.57 ounces.

(b) An estimate for the proportion of First-Class single-piece metered letters that is prebarcoded is 0.09.

(c),(d),(e) The Postal Service does not collect and maintain volume data specific to Bulk Metered Mail (BMM) letters.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION REDIRECTED FROM WITNESS MILLER

RESPONSE to MMA/USPS-T24-3 (Continued)

(f) There are currently no rate incentives for BMM letters to deposit their mail at local post offices.

(g) There are no formal addressing standards for BMM letters like those for the First-Class automation presort letters rate categories.

(h) The extent to which BMM letters mailers would enclose a reply envelope in an outgoing mailing is not known. However, there are no formal standards requiring that reply envelopes enclosed in BMM letters be prebarcoded and machinable.

(i) The percentage of the mail volume that is currently processed by presort bureaus but used to be entered as BMM letters in trays is not known.

(j) The Postal Service does not maintain data which would enable it to answer this question.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION REDIRECTED FROM WITNESS MILLER

MMA/USPS-T24-12 Please refer to the total worksharing related unit costs summarized in Appendix I, page I-1 and the corresponding unit costs found in USPS LR-I-147 PRC VERSION, page I-1, using the Commission's cost methodology.

(a) Please explain (in general terms) why the modeled unit costs under the PRC cost methodology are higher than the modeled unit costs under the USPS cost methodology.

(b) Please confirm that under the Commission's cost methodology, the cost model derived weighted average unit variable cost for non-automation presort letters (7.788 cents shown in USPS LR-I-147 PRC VERSION, page, I-4), is almost identical to the CRA-derived unit variable cost for non-automation presort letters (7.750 cents shown in USPS LR-I-147 PRC VERSION, page, I-8).

(c) Please explain why your Non-automation CRA Proportional Adjustment factor (1.223 shown in Appendix 1, p.I-4) is 23% higher than the corresponding factor derived under the Commission's cost methodology (.995 shown in USPS LR-I-147 PRC VERSION, page I-4).

(d) Please explain how your Non-Automation CRA Proportional Adjustment factor of 1.223 is used in your testimony.

RESPONSE:

(a) The term "modeled unit costs" is defined to be the results in the "MODEL COST" cells on pages I-16, 18, 20, 22, 24, 26, 28, 30, 32, 34, and 36. The model costs in LR-I-147 are higher than those on the corresponding pages found in USPS-T-24 Appendix I because the marginal productivities found in LR-I-147 page I-43 are, in general, lower (with the exception of the REC and LMLM productivities, which are higher). The changes to the marginal productivities in LR-I-147 resulted from changes that were made to the volume variability factors. **Note:** Marginal Productivity = MODS Productivity / Volume Variability Factor

(b) Confirmed.

(c) This adjustment factor is equivalent to the total worksharing related proportional costs found on page I-8 divided by the nonautomation weighted

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION REDIRECTED FROM WITNESS MILLER

RESPONSE to MMA/USPS-T24-12 (Continued)

model cost found on page I-4. The costs are shown below:

USPS-T-24: 1.223 = 7.700 cents / 6.296 cents

LR-I-147: 0.995 = 7.750 cents / 7.788 cents

The factor developed in LR-I-147 is 23% lower because the change to the volume variability factors had a more significant impact on the weighted model costs (due to the change to the marginal productivity values) than it did on the CRA mail processing unit costs for First-Class nonautomation presort letters.

(d) This factor is not used to support any cost estimates in the testimony of witness Miller (USPS-T-24). It was taken from USPS-T-24, Appendix I, page I-4 and was used by witness Campbell (USPS-T-29) in calculating a Qualified Business Reply Mail (QBRM) cost avoidance. The nonautomation presort CRA adjustment factor is used by witness Campbell as a proxy for a single-piece CRA adjustment factor (see USPS-T-29, page 39, footnote 7). The PRC version of the QBRM cost avoidance (found in LR-I-146) uses the corresponding non-automation presort CRA adjustment factor of 0.995 found in LR-I-147, page I-4.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION REDIRECTED FROM WITNESS MILLER

MMA/USPS-T24-14 In order to qualify for automation rates, First-Class mailers are required to meet strict address requirements to make sure that the addresses are correct and current.

(c) For the latest calendar year for which the data are available, please provide:

(1) the volume of First-Class Presorted Letters that were forwarded or returned;

(2) the volume of First-Class Nonpresorted Letters that were forwarded or returned;

(3) the unit cost to forward or return a First-Class Presorted Letter;

(4) the unit costs to forward or return a First-Class Nonpresorted Letter..

RESPONSE:

(c1) For calendar year 1999, the estimated volume of First-Class Presorted Letters that were forwarded or returned is 753 million. The percentage is therefore 1.74% (753 million / 43,292 million)

(c2) For calendar year 1999, the estimated volume of First-Class Nonpresorted Letters that were forwarded or returned is 589 million. The percentage is therefore 1.21% (589 million / 48,634 million).

(c3,4) A test year weighted cost per piece estimate for forwarding mail ($23.063) can be found in LR-I-110, Table 5.1.1. This figure has not been de-averaged by class and/or mail type.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION REDIRECTED FROM WITNESS MILLER

MMA/USPS-T24-15 In order to qualify for automation presorted rates, First-Class mailers who want to include reply envelopes in their outgoing letters are required to use envelopes that are prebarcoded and automation-compatible.

(c) For the base year, what volume of First-Class Automation Letters included a prebarcoded reply envelope?

(d) What percent of the reply envelopes distributed via First-Class Automation Letters was returned as First-Class Single Piece letters?

RESPONSE:

(c) See the response to OCA/USPS-30.

(d) The Postal Service does not collect and maintain the requested data.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION REDIRECTED FROM WITNESS DANIEL

MMA/USPS-T28-13.

(a) Please indicate whether your study utilized the Commission-approved cost methodology, which assumes that labor costs vary 100% with volume, or the Postal Service's proposed cost methodology, which assumes that labor costs do not vary 100% with volume.

(b) If your study did not utilize the Commission-approved cost methodology, please provide the study results utilizing the Commission-approved cost methodology.

RESPONSE:

(a). Answered by witness Daniel.

(b). It is assumed this question is referring to subclasses that have been referred to elsewhere in this set of interrogatories, namely, First-Class Mail Single-Piece, First-Class Mail Presort, and Standard Mail (A) Regular. As best as possible, the analyses in USPS LR-I-91 and Section 1 of USPS LR-I-92 have been conducted using the Commission-approved cost methodology. The results are presented in USPS LR-I-235. The assumptions made in reproducing the PRC version are noted below:

- "No Weight" costs are allocated in proportion to the costs by weight increment where weight is known because it is not known how such tallies would be allocated in the PRC version.
- A PRC version of function specific TY piggyback factors has not been developed so USPS version piggybacks were used.
- Street SCS Access costs were combined with 7.2 Access Costs and distributed in the same manner as the USPS version.
- Street Single-Subclass Load costs were combined with 7.3 Elemental Load costs and distributed using the USPS distribution keys.

RESPONSE OF UNITED STATES POSTAL SERVICE TO MMA INTERROGATORIES REDIRECTED FROM WITNESS MAYES

MMA/USPS-T32-1 In the exhibits to your prepared testimony, you provide a summary of Test Year Finances showing Revenue and Volume Variable Costs on a before rates (USPS-32A, p. 1) and after rates (USPS-32B, p. 1) basis.

(a) Please provide a similar table, in exactly the same format as USPS-32A, on a before rates basis showing the volume variable costs using the Commission-approved cost methodology.

(b) Please provide a similar table, in exactly the same format as USPS-32B, on an after rates basis showing the volume variable costs using the Commission-approved cost methodology.

Response:

All of the information required to produce these financial summaries has already been made available. As can been seen by reference to the footnotes to the tables in question, witness Mayes's tables were created by pulling together the revenue estimates from the various pricing witnesses and the volume variable costs from witness Kashani's (USPS-T-14) testimony. Please refer to the revised summary tables filed by witness Mayes on February 18, 2000 for the revenue figures. Please also refer to Library Reference LR-I-131 for the PRC version of test year costs. The test year before rates costs including all final adjustments and contingency are provided in Table E of Volume H of LR-I-131, and the test year after rates costs including all final adjustments and contingency are provided in Table E of Volume J of LR-I-131.

RESPONSE OF UNITED STATES POSTAL SERVICE TO MMA INTERROGATORIES
REDIRECTED FROM WITNESS MAYES

MMA/USPS-T32-2 Please refer to your response to Interrogatory MMA/USPS-T32-1. There you explain where to find postal costs under the Commission's cost methodology for the test year.

(a) Please confirm the following cost figures (in $000's) including contingency (but not prior year losses) for the test year before rates. If you cannot confirm these cost figures,please provide the correct cost figures and the derivation and/or source thereof.

	(1) PRC TY BR LR-I-131, Vol H, Table E	(2) USPS TY BR Exhibit USPS-32A	(3) Difference (1) – (2)
Variable Costs	$ 45,317,267	$ 41,754,751	$ 3,562,516
Institutional Costs	$ 24,592,811	$ 27,992,970	$ (3,400,159)
Total Costs	$ 69,910,078	$ 69,747,721	$ 162,357

(b) If you confirm the cost figures in part (a), please explain why the total costs reported using the Commission's cost methodology are $162.357 million higher than the total costs reported using the Postal Service's costing methodology. If you did not confirm the cost figures in part (a), please explain any difference in the total costs for your corrected cost figures, if there is a difference.

(c) Please confirm the following cost figures (in $000's) including contingency (but not prior year losses) for the test year after rates. If you cannot confirm these cost figures, please provide the correct cost figures and the derivation and/or source thereof.

	(1) PRC TY AR LR-I-131, Vol J, Table E	(2) USPS TY AR Exhibit USPS-32B	(3) Difference (1) – (2)
Variable Costs	$ 44,387,115	$ 40,891,695	$ 3,495,420
Institutional Costs	$ 24,584,124	$ 27,978,701	$ (3,394,577)
Total Costs	$ 68,971,239	$ 68,870,396	$ 100,843

(d) If you confirm the cost figures in part (c), please explain why the total costs incurred reported by using the Commission's cost methodology are $100.843 million higher than if reported by using the Postal Service's costing methodology. If you did not confirm the cost figures in part (c), please explain any difference in the total costs for your corrected cost figures, if there is a difference.

RESPONSE OF UNITED STATES POSTAL SERVICE TO MMA INTERROGATORIES
REDIRECTED FROM WITNESS MAYES

Response to MMA/USPS-T32-2:

(a) Confirmed for "Volume Variable Total Including Contingency." The "Institutional Costs" in the USPS version includes specific fixed costs as well.

(b) To understand the Commission's costing methodology, please refer to the Opinion and Recommended Decision, Docket No. R97-1 and PRC library references PRC LR-4, LR-5 and LR-19 from Docket No. R97-1.

To understand the Postal Service's costing methodology in the R2000-1 proposal, please refer to the testimonies of postal witnesses Meehan (USPS-T-11), Kashani (USPS-T-14), Bozzo (USPS-T-15), Degen (USPS-T-16), Baron (USPS-T-12), Pickett (USPS-T-19), Bradley (USPS-T-18), Stevens (USPS-T-20), Smith (USPS-T-21), Raymond (USPS-T-13), among others.

(c) Confirmed for "Volume Variable Total Including Contingency." The "Institutional Costs" in the USPS methodology include specific fixed costs.

(d) Please refer to the response to subpart (b) above.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF THE MAGAZINE PUBLISHERS OF AMERICA

MPA/USPS-1. Please refer to Columns (1)-(4) of Base Year 1998 – USPS Version WS 10.0.3 P1 and Columns (1)-(4) of Fiscal Year 1998 – PRC Version WS 10.0.3 P1.

(a) Please confirm that total letters and flats pieces from FY 1998 2858R Survey Data are approximately half the total letters and flats pieces from the FY 1996 2858R Survey Data. If confirmed, please explain in detail why this is so. If not confirmed, please provide the appropriate percentage change figure between the two years and provide an explanation of the change.

(b) Please confirm that according to the National Mail Count, flats (as a percentage of total flats and letters) decreased from 42 percent in 1996 to 40 percent in FY 1998, while according to the 2858R Survey, flats (as a percentage of total flats and letters) increased from 33 percent in FY 1996 to 36 percent in FY 1998. If confirmed, please explain in detail these conflicting trends. If not confirmed, please provide the correct figures and explain the trends.

RESPONSE:

(a) Confirmed. For FY 1996, four (4) weeks of 2858R Survey data was used, whereas for FY 1998, only two (2) weeks of 2858R Survey data was used. The FY 1998 data are being revised to reflect four (4) weeks of 2858R data.

(b) Not confirmed. For FY 1998, the percentage of flats for the 2858R Survey Data shown in the cited work papers is incorrect. The correct percentage should be 33.91, which is about one-half percent higher than the FY 96 flats proportion. Two potential reasons for the difference in trends between the two systems are sampling error in the 2858R Survey Data, and improved training for 2858R Survey data collectors. The 2858R Survey, otherwise known as the Rural Carrier Cost System, is designed to produce precise annual estimates, with a sample size of over 6,000 tests. However, for the four-week period of the National Mail Count, only 352 Rural Carrier Cost

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF THE MAGAZINE PUBLISHERS OF AMERICA

System tests were conducted. Sampling error associated with the small sample size may account for some of the observed difference. Furthermore, because of the disparity in the flats proportion between the National Mail Count and the Rural Carrier Cost System in previous years, extensive training was provided to data collectors to ensure that they properly recorded non-DPS (delivery point sequence) mailpieces over five (5) inches high as flats, to ensure the 2858R Survey Data is consistent with the way routes are evalauted. This improved training may have contributed to the divergent trends while reducing the disparity between the two data sources. As the attached spreadsheet indicates, changes resulting from the discovery of this error are very small.

Base Year 1998 - USPS Version
C/S 10 RURAL CARRIERS
VOLUME VARIABLE COST WITH NEW FLATS ADJUSTMENT

LINE NO	CLASS, SUBCLASS, OR SPECIAL SERVICE	C/S 10 EVALUATED AND OTHER ROUTES, BY 98	C/S 10 EVALUATED AND OTHER ROUTES BY 98, USING NEW FLATS ADJUSTMENT	BY 98 TOTAL VVC	BY 98 TOTAL VVC WITH NEW FLATS ADJUSTMENT (ESTIMATED WITH PIGGYBACK FACTOR OF 1.24...)	DIFFERENCE (NOTE THAT NON-RENTAL COST WILL HAVE THE SAME DIFFERENCE BECAUSE IN VVC FOR RURAL CARRIERS
	COLUMN NUMBER	(1)	(2)	(3)	(4)	
1	FIRST-CLASS MAIL:					
2	SINGLE-PIECE LETTERS	288,432	296,423	12,412,946	12,421,615	8,669
3	PRESORT LETTERS	222,696	233,548	4,167,656	4,181,112	13,456
4	TOTAL LETTERS	511,128	528,971	16,580,602	16,602,727	22,125
5	SINGLE-PIECE CARDS	16,411	16,837	519,574	520,102	528
6	PRESORT CARDS	10,164	10,458	147,145	147,510	365
7	TOTAL CARDS	26,575	27,295	666,719	667,612	893
8	TOTAL FIRST-CLASS	537,703	556,266	17,247,321	17,270,339	23,018
9	PRIORITY MAIL	24,079	23,810	2,395,877	2,395,543	(334)
10	EXPRESS MAIL	6,133	6,133	384,614	384,614	-
11	MAILGRAMS	167	172	1,106	1,111	6
12	PERIODICALS:					
13	IN-COUNTY	15,355	14,715	76,873	76,079	(794)
14	OUTSIDE COUNTY:					
15	REGULAR	119,587	114,601	1,749,726	1,743,543	(6,183)
16	NON-PROFIT	35,517	34,036	362,146	360,310	(1,836)
17	CLASSROOM	1,010	969	13,991	13,940	(51)
18	TOTAL PERIODICALS	171,469	164,321	2,202,736	2,193,872	(8,864)
19	STANDARD MAIL (A):					
20	SINGLE-PIECE RATE	1,072	1,061	213,627	213,613	(14)
21	COMMERCIAL STANDARD:					
22	ENHANCED CARR RTE	326,363	319,324	2,234,485	2,225,757	(8,728)
23	REGULAR	350,762	346,272	5,535,163	5,529,595	(5,568)
24	TOTAL COMMERCIAL	677,125	665,596	7,769,648	7,755,352	(14,296)
25	AGGREGATE NONPROFIT:					
26	NONPROF ENH CARR RTE	13,918	13,785	169,833	169,668	(165)
27	NONPROFIT	69,221	69,841	1,130,549	1,131,318	769
28	TOTAL AGGREG NONPROF	83,139	83,626	1,300,382	1,300,986	604
29	TOTAL STANDARD (A)	761,336	750,283	9,283,657	9,269,951	(13,706)
30	STANDARD MAIL (B):					
31	PARCELS ZONE RATE	11,511	11,488	861,780	861,751	(29)
32	BOUND PRINTED MATTER	11,761	11,651	394,443	394,307	(136)
33	SPECIAL STANDARD	4,192	4,168	247,598	247,568	(30)
34	LIBRARY MAIL	805	802	41,051	41,047	(4)
35	TOTAL STANDARD (B)	28,269	28,109	1,544,872	1,544,674	(198)
36	US POSTAL SERVICE	1,336	1,362	262,798	262,830	32
37	FREE MAIL	734	730	33,441	33,436	(6)
38	INTERNATIONAL MAIL	2,786	2,827	1,311,481	1,311,532	51
39	TOTAL MAIL	1,534,012	1,534,013			
40	SPECIAL SERVICES:					
41	REGISTRY	2,588	2,588	99,336	99,336	-
42	CERTIFIED	82,423	82,423	402,771	402,771	-
43	INSURANCE	4,870	4,870	61,656	61,656	-
44	COD	2,872	2,872	14,171	14,171	-
45	SPECIAL DELIVERY	-	-	1	1	-
46	MONEY ORDERS	1,087	1,087	122,800	122,800	-
	STAMPED CARDS			3,208	3,208	-
47	STAMPED ENVELOPES	-	-	13,111	13,111	-
48	SPECIAL HANDLING	-	-	2,221	2,221	-
49	POST OFFICE BOX	-	-	473,477	473,477	-
50	OTHER	22	22	90,832	90,832	-
51	TOTAL SPECIAL SERVICES	73,862	73,862	1,283,586	1,283,586	-
52	TOTAL VOLUME VARIABLE	1,607,874	1,607,875			
53	OTHER	1,742,818	1,742,818			
54	TOTAL COSTS	3,350,692	3,350,693			

Response of United States Postal Service
to
Interrogatories of Magazine Publishers of America, Inc.

MPA/USPS-2. Please review the following chart derived from WS 7.0.4.1 of Witness Meehan's Workpapers in R2000-1, and Workpaper B-7 of Witness Alexandrovich's Workpapers in R97-1. The chart compares total city letter carrier time per actual stop (both in- and out-of office) for 1996 and 1998.

	Total Accrued Cost w/Relay per Actual Stop Base Year 1996	Route Type Stops as a Proportion of Total Stops Base Year 1996	Total Accrued Cost w/Relay/ Actual Stops Base Year 1998	Route Type Stops as a Proportion of total Stop Base Year 1998	Percentage Increase in Total Cost Per Actual Stop
Letter Route Type 71 Business Route	$2.48	0.5%	$4.70	0.2%	89.5%
Letter Route Type 73 Business Motorized	$2.02	0.5%	$1.14	0.9%	(43.6%)
Letter Route Type 75 Residential Foot	$0.68	9.4%	$0.82	7.3%	20.6%
Letter Route Type 77 Residential Curbline	$0.40	24.4%	$0.27	36.1%	(32.5%)
Letter Route Type 78 Residential Park & Loop	$0.76	60.9%	$0.83	54.6%	9.2%
Letter Route Type 80 Mixed Foot	$3.90	0.3%	$10.15	0.1%	160.3%
Letter Route Type 82 Mixed Curbline	$3.53	0.4%	$7.98	0.3%	126.1%
Letter Route Type 83 Mixed Park & Loop	$1.48	3.6%	$11.60	0.5%	683.8%
All Letter Routes	$0.73	100%	$0.72	100%	(1.4%)

(a) Given that the average hourly rate for carriers has increased less than 5% between base years 1996 and 1998, please explain the large per stop increases for Route Types 71, 75, 78, 80, 83, and 82.
(b) Please explain the large per stop cost decrease for Route Type 77.
(c) Please confirm the accuracy of the data presented in the table. If you cannot, please provide corrections and calculations.
(d) Please confirm that the actual stops data presented in the two sets of workpapers represent the USPS's best estimate of total annual actual stops on letter routes in the system for those two years. If this is incorrect, please explain what the data do represent.

Response of United States Postal Service
to
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(e) Please confirm that the proportion of "mixed" routes is declining and explain, from a route restructuring basis, why that is occurring.

Response:

a – e) The table accurately reflects the data from WS 7.0.4.1. The large changes in per stop costs are likely due to a change in the sampling frame used for the City Carrier Cost System (CCCS) between FY 96 and FY 98. For FY 96, the sampling frame for CCCS came from the ORFEO system, with routes categorized using the same definitions as are used in IOCS. For FY 98, the sampling frame for CCCS came from the Address Management System (AMS). Routes types are not indicated in the AMS, so an algorithm was implemented to categorize routes based on delivery mode and the numbers of deliveries, by delivery type. There is insufficient information on the AMS to allow identification of mixed routes, so no routes were categorized as mixed. When conducting a CCCS test, data collectors can change the route type, which may explain why some mixed routes were observed. The data in the tables represent the best indication the Postal Service has for stops by route type, but there is some mismatch between the costs and the numbers of stops.

Response of United States Postal Service
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MPA/USPS-3. Please review the following chart derived from WS 7.0.4.1 of Witness Meehan's Workpapers in R2000-1 and Workpaper B-7 of Witness Alexandrovich's Workpapers in R97-1.

	Proportions of SDR-MDR-B&M Stops Base Year 1996	Proportions of SDR-MDR-B&M Stops Base Year 1998
Route Type 71 Business Foot	10%-2%-87%	6%-2%-92%
Route Type 73 Business Motorized	36%-3%-61%	20%-3%-78%
Route Type 75 Residential Foot	76%-16%-7%	70%-18%-12%
Route Type 78 Residential Park & Loop	86%-7%-7%	86%-7%-7%
Route Type 77 Residential Curbline	92%-4%-4%	86%-7%-7%
Type 80 Mixed Foot	31%-25%-45%	67%-10%-24%
Route Type 83 Mixed Park & Loop	55%-5%-40%	72%-7%-21%
Route Type 82 Mixed Curbline	67%-3%-30%	74%-4%-22%
All Letter Routes	85%-7%-8%	84%-8%-8%

(a) Please confirm the figures in the chart, or provide corrections.
(b) Given the criterion of routes with 70% or more residential stops being categorized as residential routes, why are the routes included in Route Types 80, 83, and 82 considered "mixed" rather than "residential"?
(c) It appears that Business and Mixed (B&M) stops from mixed routes are being shifted to business routes. Is this correct? If not, please explain the change in stop-type proportions between business and mixed routes.
(d) In total, it appears that the proportions of stops by stop type have not changed significantly over the past two years. Is this correct?

Response:

a) Confirmed.

b) Route types 80, 82 and 83 collectively account for less than one percent of the total stops for BY 98. It is possible that one or more of these routes were mis-categorized. Please see the response to MPA/USPS-2.

c) Please see the response to MPA/USPS-2.

d) Correct.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
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MPA/USPS- 14. Please provide, for each purchased highway account number and in total, the best available estimate of the number and cost of highway contracts that in BY98 provided drayage of trailers (a) to railroad yards, and, (b) from railroad yards. Please provide separate estimates for power-only vs. other contracts. In machine-readable form, please identify all such contracts.

RESPONSE

Drayage costs are not separately identified in the accounting system. Drayage is provided as part of freight rail and Amtrak service by the rail road involved. Also, rail stations can be incidental stops on highway contracts. The cost of highway contracts is based on the cost of moving to and from all stops on the routings covered by the contract. The cost of movements to and from rail stations is not separately identifiable.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
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MPA/USPS-15. Please confirm that the duration of a representative USPS highway contract is four (4) years. If not confirmed, please provide the correct length of duration. Please provide copies of any studies or analyses underlying the practice of the Postal Service of engaging in contracts of this duration.

RESPONSE

The standard contract term for regular service contracts is four years. There have been no studies specifically focused on the four-year contract term.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
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MPA/USPS-16. Please provide, for each purchased highway account number and in total, the best available estimate of the changes in cost that will occur upon the expiration or resolicitation of the contracts in effect in BY98.

RESPONSE

Attached is a 1998 Renewal Report from Headquarters Purchasing. This provides the change in contract costs in total (see the line "Net Difference").

More detailed information is not available.

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Attachment MPA/USPS - 14 Page 1 of 1

A. Renewal Contracts	**Total 1998**
1. Total contracts expiring during 1999	3,911
2. Total contracts renewed 1999(include short-term renewals)	3,136
3. Total contracts not renewed (A. 1 less A. 2)	775
B. Non-Renewal contracts (Reasons)	
1. Contractor's choice (retire, other commitments, etc.)	353
2. Poor performance	28
3. Service no longer needed as stated	127
4. Ethical conduct Rulings (e.g. related to postal employee)	5
5. Debarred/Nonresponsible/otherwise Unqualified	11
6. Agreement not reached (Between USPS and contractors)	77
7. Non renewable temporary contracts	40
8. Routes consolidated with another route	17
9. Routes terminated prior to term expiration	57
10. Other (specify on additional sheet)	60
11. Total nonrenewals (should be the same as A.3)	775
C. Reprocured and Additions	
1. Total contracts reprocured (include emergency service)	544
2. Contracts added due to route split-child	53
3. Total contracts awarded to existing contractors	351
D. Short-term renewal contracts (Reasons)	
1. For operational reasons (e.g renewal cycle, DPS)	20
2. Due to pending PVS cost comparisons	87
3. Due to pending Ethical Rulings	0
4. Other (Specify at bottom or on additional sheet, if necessary)	20
5. Total short -term contracts	127
E. Cost and Mileage data	
1. Total dollar value of renewed contracts on term expiration date	$241,123,748.73
2. Total dollar of non-renewed contracts on term expiration date	$48,639,108.33
Sub-Total	$314,689,557.06
3. Total dollar value renewed contracts on term begin date	$282,347,776.95
4. Total dollar of reprocured contracts on term begin date	$44,035,491.40
5. Total dollar value of route split children on term begin date	$4,758,910.02
Sub-Total	$331,142,178.37
Net Difference	$16,452,621.31
6. Total mileage of contracts as of term expiration date (include reprocure	268,741,717.9
7. Total mileage of contracts as of term begin date (include reprocured)	274,338,589.7
Net Difference	5,596,871.8

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RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
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MPA/USPS- 17. Please describe and provide documentation for each of the following:

a. analytical tools, including computer models, used to ensure that overall purchased transportation costs are minimized, subject to applicable service requirements and operating constraints;

b. management information systems used to report and control purchased transportation costs;

C. studies of unutilized or under-utilized transportation capacity; and

d. projections of the impact of USPS market and operating changes on transportation requirements during any portion of the period 1994-2002.

RESPONSE

a and b. The Postal Service has no customized computer or analytical models that it uses in transportation cost management. Analyses are performed on an as needed basis using whatever tools are appropriate to the task. Management information systems used to report costs include the Postal Service accounting and account payable systems, and HCSS, the Highway Contract Support System.

c. The Postal Service has recently begun a study of transportation utilization. It is expected that this study will lead to reductions in unutilized capacity.

d. A partial objection was filed on March 31, 2000. In order to meet service requirements, the number of transportation contracts has increased. Unit cost have been driven upward by Department of Labor wage adjustments and fuel cost increases. No projections are available.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
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MPA/USPS- 18. Please describe the circumstances under which a vehicle moving pursuant to a highway contract could make a scheduled stop at a postal facility (other than the starting point of the trip) without unloading mail.

RESPONSE

Whenever a contract calls for a scheduled stop, the normal operational procedure calls for the contractor to perform the scheduled stop. Other than unloading mail, a contractor can unload empty equipment, or pick up mail or empty equipment.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
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MPA/USPS-20. Please itemize and describe the criteria used by the Postal Service to establish capacity requirements on individual Amtrak segments. Please state the average frequency with which these capacity requirements are typically adjusted.

RESPONSE

Capacity requirements are based on anticipated loads between facilities near Amtrak operating corridors. These loads are based on the experience of local logistics personnel in cooperation with Amtrak, as are the capacity requirements that result from them. The Postal Service does not have a measure of the typical frequency with which capacity requirements are adjusted. Since Periodicals mail is the majority of mail moved on Amtrak and since Periodicals volume growth has been stagnant for years, one can assume that variations in requirements are relatively infrequent.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
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MPA/USPS-22. For FY96, FY97 and FY98, please provide the best available *estimate of the costs to the Postal Service of movements made using* 'Roadrailers" on Amtrak. Please include payments to Amtrak, drayage costs, trailer costs and any other relevant costs. Please provide the amount of such *costs accruing in each applicable USPS account.*

RESPONSE

Roadrailer costs accrue to the same Amtrak cost accounts as other Amtrak expenses, 53142, 53144, and 53165. Additional information on the availability of Roadrailer-related payments is still being researched. Additional information responsive to this interrogatory will be provided if it is available.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
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MPA/USPS-23. Please provide the best available estimates of the proportion of FY98 Amtrak Roadrailer costs (see MPA/USPS-22, above) in the following categories:

a. Movements diverted from intra-SCF highway transportation.
b. Movements diverted from inter-SCF highway transportation.
c. Movements diverted from intra-BMC highway transportation.
d. Movements diverted from inter-BMC highway transportation.
e. Movements diverted from freight rail transportation.
f. Movements diverted from conventional Amtrak service.
g. Movements diverted from commercial air transportation.
h. Movements diverted from network air transportation.
i. Other (please describe).

RESPONSE

The requested information is not available.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
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MPA/USPS-26. Please describe the service or operational factors that cause periodicals to require Amtrak service as opposed to highway or freight rail.

RESPONSE

Amtrak is used to transport Periodicals when economical, service-responsive, long-haul highway transportation and freight rail service are not an option. The Postal Service chooses transportation modes on the basis of value, i.e., a combination of service and price. Amtrak is a less than truckload network. In certain situations when less than a full trailer load of preferential mail needs to be moved, Amtrak may provide the Postal Service with the best value.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
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MPA/USPS-28. Please identify and describe factors other than fluctuations in mail volume that prevent full utilization of cubic capacity in purchased surface transportation.

RESPONSE

The answer depends on what is meant by "full utilization of cubic capacity". Although there are exceptions, generally speaking, bedloaded mail is too heavy to fill the cubic capacity of a trailer without exceeding vehicular weight limits. Even in those circumstances when this is not the case, general safety concerns and OSHA regulations do not permit the random floor to ceiling loading of mail. Heavier pieces need to be near the floor with lightweight pieces on top. As a practical matter, vehicles cannot always be loaded in the type of meticulous fashion necessary to fill a trailer without incurring substantial labor costs.

In today's operating environment, most mail is containerized or palletized. The height of a pallet is limited by safety and load-integrity considerations to 72 inches. Also, stacks of pallets are limited by these same considerations. In addition, stacking pallets sometimes creates the possibility of the mail being damaged by shifting of upper pallets. This, of course, damages the mail, which is unacceptable.

Generally speaking, once a pallet occupies floor space, additional mail (whether containerized or not) is usually not loaded on top of it. This allows for the prompt unloading of the pallet at destination.

The height of pallet boxes such as postal paks is limited by the need for the top of the box to clear the opening of the dock door or the rear of the vehicle. Thus, it is impracticable to use a pallet box that is the same height as the interior

of the trailer. Similarly, containers heights are limited by the clearance of the back of the vehicle.

Each facility on a route uses an uncertain amount of floor space. Downstream facilities do not intermix their loads with upstream facilities. Mail already loaded on a vehicle is generally not unloaded at each stop to maximize cube utilization. Doing so would incur substantial labor costs as well as possibly risk delaying the mail. Instead, loads are added to the rear of the vehicle after it has been unloaded at a facility.

Within containers themselves, the amount of usable space is limited by numerous factors. Typically, a container is filled at the output of mail processing operations. At the discretion of the mail processing personnel loading a container, a container is declared full when it is too heavy to maneuver safely. Also, a container or pallet box may be sent to the platform for loading in order to meet the dispatch time for a vehicle before it is filled to capacity.

Once floor space is occupied upstream, the vehicle load generally not reconfigured. If one facility uses only part of the vertical space of the vehicle, it remains partly used until that container, pallet, or mail is unloaded.

Empty equipment is often transported on a vehicle and this may be regarded as unused capacity (as it is in TRACS, for example), but the space is occupied and generally unavailable for mail

Vehicle size is often constrained by the dimensions of loading areas, particularly at old facilities and in older cities, and maximum weight restrictions on certain roads.

In addition, to all the above, generally speaking, vehicle capacity and routings are arranged to handle expected weekly volume peaks. Unpredictable day to day fluctuations in volumes mean that, in the context of mail processing and transportation operations, some excess capacity is unavoidable. It is impractical to contract for different vehicle sizes for different days of the week. Also, the cubic capacity of a vehicle is generally regarded as being inexpensive relative to the cost of adding extra trips. For this reason, it makes economic sense to buy a large vehicle to avoid paying for additional trips.

The last scheduled trip of the day is referred to as the dispatch of value. This trip, critical to meeting downstream processing and delivery schedules, often leaves less than full.

In a sense, less than full trips are the result of meeting customer service expectations, resulting in the situations described above.

Additional discussion of this issue was provided (most recently) in the rebuttal testimonies of Postal Service witnesses Young (Docket No. R97-1, vol. 35 at 18851-18944) and Pickett (Docket No. R97-1, vol. 35 at 18757 - 17848) in Docket No. R97-1.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
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MPA/USPS-29. Please identify, describe and estimate the likely impact of any current or planned Postal Service initiatives to increase the utilization of cubic capacity in purchased surface transportation.

RESPONSE

Increases in vehicle utilization will generally tend to reduce costs. By how much depends on the cost of the transportation utilized, the changes made to increase utilization (i.e., whether utilization is increase by changing the size of the vehicle, the number of trips, or mileage; or some combination of the three). No estimates are available.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
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MPA/USPS-30. Please identify, describe and estimate the likely impact of any current or planned Postal Service initiatives to reduce purchased surface transportation costs that were not provided in the response to (29).

RESPONSE

Current management initiatives along these lines have targeted $100 million in future transportation cost reduction. $72 million is targeted at reducing highway contract miles traveled; $25 million is targeted at reducing fuel expenses, and $3 million is targeted at reducing the cost of trailer leasing.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
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MPA/USPS-31. Please identify, describe and estimate the changes in purchased transportation costs that are projected to result from:

a. Planned changes in the use of Amtrak; and,

b. Changes in freight rail service availability and rates in the region formerly served by Conrail.

RESPONSE

a. There are no planned changes in the use of Amtrak.

b. The cost of transportation typically used to transport products moving on rail is likely to increase. There are several factors driving this increased cost. The ontime performance provided by rail carriers has declined and this has necessitated a transfer of volumes from rail to higher cost HCR contracts.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
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MPA/USPS-32. Please provide, for each purchased highway account number and in total, the best available estimate of the number and annual cost of highway contracts that provide plant load service.

RESPONSE

Plant load service is recorded in accounts 53134 (highway annual rate) and 53135 (highway trip rate). In the base year, the accrued expense in these accounts is $8.582 million and $37.103 million, respectively. The total highway plant load expense is $45.685 million. According to Postal Service Library Reference I-84 (the HCSS extract database compiled in August 1998), there were 113 contracts (i.e., HCRIDs) under account 53134 and 411 contracts under account 53135.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
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MPA/USPS-34. Please provide the best available estimate of the proportion of USPS highway transportation requirements that is met through use of 28' trailers. Please provide copies of any studies or other analyses that measure the operational and/or cost impacts that would be associated with more widespread use by the Postal service of 28' trailers.

RESPONSE

The question is unclear. The answer depends on your definition of "highway transportation requirements". There are approximately 223 28-foot trailers in the system, which accounts for about 3 percent of all highway trailers.

No such studies or analyses exist.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
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MPA/USPS-35. Please provide the best available estimate of the proportion of FY98 USPS inter-BMC purchased highway cost that represents trailers diverted from freight rail due to transitory rail service problems, such as those occurring in 1997 and 1998 in the wake of the merger between Union Pacific and Southern Pacific railroads.

RESPONSE

No volume was diverted to inter-BMC highway due to transitory rail service problems. Whatever diversion that did occur was to another rail carrier.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
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MPA/USPS-36. Reference is made to highway transportation contracts wherein service is purchased on a per-trip (as opposed to regularly scheduled) basis:

a. Please describe the types of circumstances under which per-trip contracts are utilized.

b. Please provide copies of any contracting guidelines promulgated by USPS regarding use of per-trip highway contracts.

c. In machine-readable form, please identify each such highway contract, and state the actual payments made under each such contract in BY98.

RESPONSE

(a) Per trip contracts are used in those instances when requirements do not warrant a fixed recurring schedule.

(b) Guidelines for each contract are based on the requirements presented to Postal Service Purchasing.

(c) An objection was filed on April 5, 2000.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
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MPA/USPS-37. Reference is made to highway transportation contracts wherein service is purchased on a one-way (as opposed to round trip) basis:

a. Please describe the types of circumstances under which one-way contracts are utilized.

b. Please provide copies of any contracting guidelines promulgated by USPS regarding use of one-way highway contracts.

c. In machine-readable form, please identify each such highway contract.

RESPONSE

a) One way contracts are used in those instances where volume projections do not warrant round-trip transportation.

b) Guidelines for each contract are based on the requirements presented to Postal Service Purchasing.

c) An objection was filed on April 5, 2000.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTEROGATORIES OF THE MAGAZINE PUBLISHERS ASSOCIATION

MPA/USPS-38. Please confirm that all leasing and ownership costs associated with USPS-supplied trailers accrue in account number 53136. If not confirmed, please provide the best available estimate of the magnitude of such costs, and indicate the account(s) in which they accrue.

RESPONSE

Not confirmed. 53136 contains only those expenses associated with intra-BMC mail service. Account 53191 includes expenses associated with leased trailer movements. Based on year-to-date figures, approximately 26 percent of this account is incurred with leased trailer expenses providing service to the Mail Transport Equipment Service Centers.

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MPA/USPS- 39. Please refer to USPS-LR-I-52, at page 26. Please confirm that the "NASS File" (LAXSTN.PS272D13(O)) contains the sequence of facilities served at the stops made on each purchased highway transportation contract. If not confirmed, please provide this information in machine-readable form.

RESPONSE

Confirmed.

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MPA/USPS-42. Please state the proportion of costs accruing in account number 53192 that reflect freight rail movements of empty USPS-owned or -leased trailers. Please state the proportion of costs accruing in account number 53192 that reflects freight rail movements of trailers carrying empty mail containers.

RESPONSE

The standard operating procedure of the Postal Service is not to ship empty rail vans. Postal Service policy is to ship rail vans containing either mail or empty mail transport equipment (MTE). Account 53192 contains expenses associated with moving empty MTE only.

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MPA/USPS-43. Please state the definition of account number 53624. Please provide the accrued cost for this account in BY98.

RESPONSE

Account 53624 is used to record the expense of all highway contract service created for the transportation of Christmas mail between BMCs. The accrued cost in this account is $0 for BY 1998. Actual Christmas-related expenses are substantial and are incurred under amendments to regular and emergency contracts and through exceptional service. These costs accrue to the regular and emergency service accounts, or to the appropriate exceptional service account.

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MPA/USPS-44. Please state the number of cubic feet associated with each linear foot of capacity procured on Amtrak.

RESPONSE

Amtrak service can be provided in a variety of equipment. Based on dimensions supplied by Amtrak the following calculations were made. A linear foot in a 1400 series material handling car translates to 8'11 x 8'9 7/16"X 1' = 78.3 cubic feet. A linear foot in a 1500 series car converts to 8'11 x 7'10" x 1' = 69.8 cubic feet. In a 70000 series Express car, a linear foot converts to 9'4" x 10'5" x 1' = 97.2 cubic feet. In a 71000 series express car, it is 10'2" x 9'4" x 1' = 94.9 cubic feet. In Roadrailers, a linear foot is 8'9.5" x 8'2" x 1' = 71.8 cubic feet. Baggage cars are sometimes used as well. The approximate cubic feet in a linear foot of baggage car are approximately (13' 6" less 55") x 10' x 1' = 89.2 cubic feet.

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MPA/USPS-45. Please describe changes in the procedures used to manage surface transportation contracting that have occurred since FY96.

RESPONSE

Dating back to 1996, the Postal Service has made a number of improvements in the transportation purchasing process and substantial investment in staff development. Examples include:

(1) The publication of the Purchasing Manual dated January 1997.

(2) Implementation of process management initiatives designed to reduce cycle time and stem cost growth.

(3) Recently the Postal Service started to identifying opportunities to implement supply chain management techniques in the purchasing process.

Although the past few years have resulted in an investment of time and resources, we expect to achieve some process improvements, cycle time reductions, and possible unit cost (rate per mile) reductions.

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MPA/USPS-46. Please describe the data system(s) relied upon by the Postal Service to measure the utilization of space purchased on each Amtrak segment. Please provide this information in machine-readable form for BY98.

RESPONSE

The Postal Service uses PS Form 5366, a paper form, to record Amtrak activity.

This information is not stored electronically.

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MPA/USPS-47. Please refer to Section M050.3.4 of the Domestic Mail Manual, which states: "Line-of-travel sequence is an option for mailers who prepare carrier route mailings other than high density or saturation mailings, Line-of-travel sequencing is a minimum requirement for basic Enhanced Carrier Route Standard Mail."

a. Please describe generally why the line-of-travel sequencing of carrier route mailings reduces the Postal Service's per-piece cost for handling carrier route mail.

b. Please state when line-of-sequencing became a minimum requirement for Enhanced Carrier Route Standard Mail.

c. Please provide all Postal Service studies and reports regarding any savings that may have been realized from the line-of-travel sequencing requirement for basic Enhanced Carrier Route Standard Mail.

d. Please confirm that line-of-travel-sequencing is not a requirement for Periodicals Carrier Route Basic mail.

e. Please provide all Postal Service studies and reports regarding any savings that might result from requiring line-of-travel sequencing for Periodicals Carrier Route Basic mail.

RESPONSE:

a. Please see USPS-LR-I-307.

b. The requirement that mailers prepare Standard A Enhanced Carrier Route (ECR) basic rate mail in line-of-travel (LOT) sequence was formally implemented on July 1, 1996.

c. Please see USPS-LR-I-307.

d. Confirmed, but the Postal Service is considering making it a requirement. The Postal Service currently has plans to solicit comments on imposing a line-of-travel requirement for Periodicals Carrier Route Basic mail through a Federal Register notice within the next several months.

e. Please see USPS-LR-I-307.

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MPA/USPS-T12-32. *Within ALDRAN.HQ059T01.CITY.PQ4FY97 please provide the* full definitions for the following terms ("variables"). Please also state how these definitions are determined by USPS, and how the Postal Service distinguishes among them:
(a) Foot Delivery Mode
(b) Curbline Delivery Mode
(c) Park & Loop Delivery Mode
(d) Dismount Delivery Mode
(e) Other Delivery Mode

RESPONSE:

(a) Foot Delivery Mode – A route served on foot. A bicycle or other conveyance used solely as transportation to and from the route does not affect the status of the status of the foot route.

(b) Curbline Delivery Mode – A motorized route on which 50% or more of the possible deliveries are made to customer mailboxes at the curb.

(c) Park & Loop Delivery Mode – A route that uses a motor vehicle for transporting all classes of mail to the route. The vehicle is used as a movable container as it is driven to the designated park points from which segments of the route are delivered on foot.

(d) Dismount Delivery Mode – A delivery route on which 50% or more of the possible deliveries are made by dismount delivery to the door, Vertical Improved Mail (VIM) Room, Cluster Box Units, Delivery Centers, etc. If the dismount deliveries are less than 50% of the total possible deliveries of a route, the route will be classified as per the majority of the type of delivery ; e.g. curbline, park and loop, etc.

(e) Other Delivery Mode – Delivery made by a more unusual method, i.e. mule, boat, plane, bicycle, etc.

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MPA/USPS-T12-34 Within ALDRAN.HQ059T01.CITY.PQ4FY97 please provide the full definitions for the following terms ("variables") so that they can be distinguished from each other:
(a) Curb Deliveries
(b) NDCBU Deliveries
(c) Centralized Deliveries
(d) Other Deliveries

RESPONSE:

(a) Curb Deliveries – Delivery from a vehicle to mailboxes mounted at the curb. If there is a parcel too large for the box; signature-required mail or the box is temporarily blocked, it is usually necessary to leave the vehicle and attempt delivery to the customer directly.

(b) NDCBU Deliveries – Delivery to a central location that has a specific type of delivery equipment, i.e.Cluster Box Units. These units have 8, 12, 13, or 16 customer compartments, a dedicated collection compartment, and one or two parcel receiving compartments. The unit is opened via a Postal owned lock and mail is deposited into individual customer compartments.

(c) Centralized Deliveries – Delivery to grouped locked mailboxes in a central location that uses either wall mounted post office boxes or apartment style mail receptacles. The unit is opened via a Postal owned lock and mail is deposited into individual customer compartments.

(d) Other Deliveries – Delivery to a customer's doorslot or mailbox usually located on a house, or a post mounted box located behind the sidewalk. Delivery is made by foot.

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NAA/USPS-1. Please refer to the United States Postal Service 1998 Marketing Plans, filed in Docket No. R97-1 as library reference NAA LR-NAA/R97-1 LR 2.

a. Does Postal Service management currently use this document?
b. At AD Page 11 of this document, the following passage appears: "Newspapers are the major, direct competitors for advertising mail dollars." Does the Postal Service believe this to be true today?
c. At AD Page 11 of this document, the following passage appears: "Pre-printed inserts have been and will continue to be the single newspaper application which is most vulnerable to diversion to Ad Mail." Does the Postal Service believe this to be true today?
d. Has the Postal Service produced a more recent marketing plan, comparable to this one, since October 1997?

RESPONSE:

a) Objection filed.

b-c) While newspapers can serve as alternatives from the perspective of advertisers, the Postal Service views newspapers as partners in many instances. For example, newspapers use postal delivery for total market coverage products. The newspaper industry is also comprised of users of many other postal services, including First-Class Mail and Periodicals.

d) Objection filed.

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NAA/USPS-3. Please refer to the Response of the United States Postal Service to UPS/USPS-T23-2 (redirected from witness Kay). At page 2 of the response, the following passage appears:

> In particular, when addressing cost associated with those types of multiproduct advertising, consideration was given to the extent, if any, to which the existence of a specific product or product group "caused" (i.e., was the reason why the Postal Service engaged in) that type of advertising.

Has the Postal Service attributed any Base Year 1998 advertising costs that were incurred in a multiproduct advertising effort? If so, please identify:

a. The products involved
b. On what basis (e.g., percentage, etc.) the costs were attributed

RESPONSE:

a.-b. Costs associated with multiproduct advertising were included in cost pools that were allocated to specific products or product groups for use in the estimation of BY 1998 incremental advertising costs, as discussed in the response to UPS/USPS-T23-2. It may be useful to clarify, however, the procedures that were not used, as well as those that were. The Postal Service did not engage in a "bottom-up" approach in which:

1) All costs were broken out to specific advertisements;

2) All costs associated with specific single product advertisements were allocated to those single products;

3) All costs associated with specific multiproduct advertisements were further broken out to individual products within the set of those featured in the advertisement on the basis of a post hoc analysis of the advertisement itself (e.g., estimation of proportionate shares of some quantitative factor); and

4) For each product or product group, the costs identified in Steps 2 and 3 are summed to obtain the total advertising costs for that product or product group.

To the extent that subpart b. of the question may be inquiring about Step 3 of such a hypothetical procedure, it did not occur. (The only instance in which anything approaching a "bottom-up" procedure was used was in the Package services, in which the advertising agency broke out media and production costs on the basis of the product for which the campaigns were conducted. The agency, however, broke out all of the costs to the three specific products, and did not identify any multiproduct advertising costs.) The difficulties that attempting such a procedure would entail are discussed at some length in the Postal Service's February 29th response to UPS/USPS-T34-9, redirected from witness Robinson, and the advertisement attached to that question underscores the types of problems involved. In particular, it would be difficult under such an approach to avoid arbitrary allocations lacking any coherent causal basis. Moreover, such an approach would preclude the possibility that some of the costs cannot rationally be linked with any specific product or product group, and properly should be considered institutional.

The procedure actually employed was to request responsible product managers and channel managers to estimate judgmentally the products or product groups on which they chose to spend their advertising dollars. That process is easiest, of course, when large amounts of the budget are spent on advertisements featuring only one product. In some instances that was not the case, however, and the reality might be that much of the budget was spent on multiproduct advertisements. It was in that context that considerations of the type quoted in the instant question were appropriate, trying to get beyond the

range of products that might merely be featured to one degree or another in specific advertisements, and to identify the products or product groups that were driving the allocation of the overall budget for which that manager was responsible.

The results of that exercise are reported on pages 5 and 5A of USPS-LR-150, as revised on March 13. On page 5 can be seen breakouts of cost pool such as Corporate Brand, Sponsors, Holiday, Specialty Markets, Retail Channel, and Areas to product groups. Although it is not possible under this methodology to identify which of those dollars were associated specifically with multiproduct advertisements, it seems reasonable to conclude that some portion of the amounts shown would reflect such costs. Further breakouts of those costs to specific products are shown on page 5A.

The ultimate result is that the BY 1998 product specific and product group specific costs identified by witness Kay in her response to UPS/USPS-T23-1 should include some costs associated with advertisements which featured more than one product (i.e., multiproduct advertising).

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NAA/USPS-5. Please refer to the Data Quality Study Summary Report (dated April 16, 1999) prepared by Link, a division of A.T. Kearney Inc. At page 34, the Summary Report states: "To the extent that weight is a cost driver, the current costing systems do not allow for the estimation of the effect of weight independent of other cost causing characteristics." Does the Postal Service agree with this conclusion?

RESPONSE:

The Postal Service agrees that the existing cost data do not permit the effect of weight on cost to be estimated independent of *all* other factors. See also witness Daniel's testimony, USPS-T-28, at page 3 (line 21) to page 4 (line 7). However, the Postal Service observes that the data do permit witness Daniel to control for important cost causing characteristics including shape and subclass, and disagrees to the extent the A.T. Kearney Study's conclusion suggests that it is not possible to control for any such characteristics. Data have been provided in response to ANM/USPS-T28-8(c) and MMA/USPS-T28-11 that let one attempt to normalize for non-weight factors such as presorting, prebarcoding and dropshipping using cost studies presented by witnesses Miller (USPS-T-24), Yacobucci (USPS-T-25), Crum (USPS-T-27) and Daniel (USPS-T-28) in order to better isolate weight-related cost effects.

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NAA/USPS-6. Please refer to the Data Quality Study Summary Report (dated April 16, 1999) prepared by Link, a division of A.T. Kearney Inc. At page 50, the Summary Report recommends that the Postal Service: "Re-examine these assumed institutional costs periodically to assess whether these are truly fixed institutional costs or whether any of these costs can be allocated to specific activities that can be attributed and distributed to specific sub-classes of mail." The Summary Report goes on to say: "This periodic re-examination should happen when any one of the following conditions occurs:

- The nature of the business changes (e.g., due to electronic substitution or other outside influences).
- Costing theory and practice change (e.g. the field of study develops new concepts and procedures)
- The product or service mix changes (e.g. the significant increase in advertising mail as a proportion of total mail volume).
- Technology improvements create new processes or operational activities and/or provide better sources of data to analyze institutional costs."

a. Does the Postal Service agree with this recommendation of the Summary Report?
b. Does the Postal Service believe that any of the four listed conditions has occurred or will occur by the end of the Test Year in this proceeding?
c. If so, how has the Postal Service re-examined institutional costs in this proceeding in a manner consistent with this recommendation?

RESPONSE:

a. It would be difficult to categorically *disagree* with the recommendation as set forth above, as it in essence merely sets forth conventional wisdom that, as the world changes, it is a good idea to step back and reevaluate existing procedures (of almost any variety) to determine whether they can be improved in light of the changes that have occurred. It bears noting, however, that the Postal Service does relatively little analysis of institutional costs *qua* institutional costs. Rather, the Postal Service generally does its analysis by cost segment or component, and institutional costs, in

general, are simply the residual costs left when all of the costs of the segment or component that can be attributed and distributed have been so treated. (Perhaps this is why the cited portion of the Data Quality Study Summary Report, pgs. 50-51, assigned this recommendation its lowest priority.) In this context, the Postal Service is constantly seeking to improve its costing analyses, and the types of triggering events identified in the above quotation are most likely to foster increased attention to the costing procedures applied to the cost segments and components likely to be affected by such events. To the extent that any resulting improved procedures change the totality of costs attributed and distributed to subclasses, this, in turn, necessarily changes the pool of residual costs considered to be institutional.

It should also be noted, however, that even though institutional costs in many cost segments are identified as the residual after attributable costs have been estimated, they are not necessarily ignored in the Postal Service's analyses. The Postal Service seeks to base its empirical cost analyses on a solid operational foundation, to the extent possible. In instances in which empirical analyses suggest that costs do not vary proportionately with volume (i.e., that there will be residual institutional costs), the Postal Service seeks to understand why such a conclusion is consistent with operational practices. In certain instances, such efforts do cause the Postal Service to focus its analysis more directly on institutional costs than the above general description of cost attribution by segment might imply.

Incremental cost analysis is another context in which the Postal Service does examine costs which otherwise might, in some sense, be considered institutional --

costs that do not vary with mail volume on the margin. In that context, the Postal Service first considers, beyond those costs that vary on the margin, the costs that would vary in response to elimination of the entire volume of a subclass. Additionally, the Postal Service seeks to identify all product specific costs. As discussed more below, the process of developing and presenting incremental cost analyses in Docket Nos. R97-1 and R2000-1 has improved the Postal Service's ability to re-examine pools of what previously had been considered institutional costs and allocate them to specific products on a causal basis. Moreover, to the extent that the incremental cost analysis is extended beyond individual products to groups of products, this likewise has the potential to reduce the pool of "institutional" costs that remain unassociated with any subset of products.

Finally, in terms of the Postal Service's general reaction to the quoted recommendation of the Summary Report, it may be useful reiterate part of the Postal Service's response to GCA/USPS-T41-37 (redirected from witness Bernstein):

> The Postal Service subscribes to the principle that the attribution exercise should be conducted with the objective of providing the most accurate possible estimates of subclass costs. By definition, accurate subclass costing will attribute to subclasses as many of the Postal Service's total costs as possible, in the sense that it is impossible to attribute accurately to subclasses any more of the Postal Service's total costs. The Postal Service, however, does not subscribe to the principle that seeking either higher or lower levels of attribution, *a priori,* is an appropriate objective of the attribution exercise, as that would conflict with the objective of providing the most accurate possible estimates of subclass costs.

At one level, since the quoted Summary Report recommendation only speaks to practices which could only **reduce** institutional costs, it may seem as if the

recommendation is inappropriately one-sided. In fact, however, to the extent that the recommendation is limited to a re-examination of costs previously believed to be institutional, any change would, by definition, be limited to a reduction of such costs. Presumably the authors of the Report did not intend by this recommendation to exclude the possibility that corresponding re-examination of costs previously believed to be attributable might similarly reveal some of those costs instead to be institutional. Both types of re-examination have the potential to improve the accuracy of subclass costs. Therefore, the recommendation is consistent with the Postal Service's costing objective of providing the most accurate possible estimates of subclass costs.

b. Each of the four conditions presumes a change. To identify the occurrence of a change, it is necessary to establish a baseline from which the presence or absence of change can be evaluated. Neither the Summary Report nor your question suggests any such baseline. One approach would be to assume the baseline conditions to be those in existence as of the issuance of the Summary Report. Since that occurred less than one year ago, it is unlikely that any material changes have occurred. Over the long run, it would seem most practical to consider the baseline to be conditions as they existed at the time the costs in questioned were last analyzed. With such a baseline, however, the response to whether any of the four conditions has changed would vary depending upon the particular costs under examination. For example, at a fairly broad level of analysis, one could examine mail processing costs and consider the four factors with respect to a baseline of conditions as they existed at the time the assumption of 100 percent variability was adopted for most mail processing operations. Dr. Bozzo, in

fact, discusses these at some length at pages 4-13 and 128-129 of USPS-T-15. From his discussion of such a baseline, one would conclude that, at the very least, changes have occurred in factor 2 (costing theory and practice), factor 3 (product mix), and factor 4 (technology) since that assumption was adopted. Of course, those are exactly the types of changes that caused the Postal Service to propose fundamental changes in its mail processing costing procedures in Docket No. R97-1. Another instance of potentially relevant costing theory and practice changes would be the effort in this case and Docket No. R97-1 to present actual estimates of incremental costs for each subclass. As discussed above and below, this change did cause additional scrutiny of costs that previously had been considered institutional.

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c. Without necessarily attempting to identify any particular triggering event of the type suggested by the Summary Report, the Postal Service, consistent with this recommendation, has in this proceeding allocated to products certain costs that previously would have been considered institutional. Some examples include the allocation to International Mail of Headquarters phone utility related expenses, Headquarters automated data processing (ADP) supplies and services, Headquarters and Area personnel expenses, Headquarters supplies and contractual services, Headquarters training expenses, and Headquarters miscellaneous support costs that could be determined to be dedicated to International Mail. In Fiscal Year 1998, these items totaled over $36 million. Similarly, allocated to Priority Mail were Headquarters phone utility related expenses, Headquarters and Area personnel expenses, Headquarters supplies and contractual services, Headquarters miscellaneous support costs, Headquarters training expenses, and Headquarters miscellaneous support costs that could be determined to be dedicated to Priority Mail. Also allocated to Priority Mail were the contractual costs and postage costs for the Priority End-To-End (PETE) measurement system. These items totaled over $17 million in FY 1998. The contractual costs and postage costs for the External First-Class Measurement System (EXFC) were identified and assigned to First-Class Mail. In FY98, this amounted to over $13 million.

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NAA/USPS-7. Please refer to the Data Quality Study Summary Report (dated April 16, 1999) prepared by Link, a division of A.T. Kearney Inc. At page 56, the Summary Report presents a calculation of the coefficient of variation of overall unit volume variable costs for three subclasses as follows:

- Periodicals - within county at 10.09%
- Standard A - enhanced carrier route at 8.00%
- Standard B - library at 13.48%

a. For what period of time do these calculations apply?
b. Does the Postal Service believe that these coefficients of variation of overall unit volume variable costs are correctly calculated?
c. The Summary Report notes that the coefficient of variation for Standard Enhanced Carrier Route mail received 83 percent of its sampling error from the delivery special studies. Has the Engineered Standards/Redesign Project described in the testimony of witness Raymond replaced one of the delivery special studies (the STS study) to which the Summary Report refers?
d. If the answer to (c) is affirmative, please describe the effect of the Engineered Standards/Redesign Project on the coefficient of variation for ECR mail in this proceeding and provide that coefficient.

RESPONSE:

a) These calculations are for FY 1996.

b) The results presented in the Data Quality Study are obtained from a complex simulation model. Hence, a different set of replications may result in slightly different estimates of the CVs. The Postal Service believes that the methodology used to calculate these CVs is sound, and that these estimated CVs provide a reasonable indication of the reliability of unit volume variable costs for that time period. These calculations include 29 major cost pools, accounting for 55.8% of the total volume variable costs.

c) Yes.

d) The effect of the new STS study on the CVs for ECR mail has not been studied.

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NAA/USPS-8. Please refer to the Data Quality Study Summary Report (dated April 16, 1999) prepared by Link, a division of A.T. Kearney Inc. Recommendation 36, at page 83, states: "The data currently available from [the Delivery Redesign] initiative should be reviewed to assess its usefulness to the rate making process. The use of this data will link the letter carrier costs to the direct cause of those costs (e.g. hiring and retaining a letter carrier." Please confirm that the Postal Service in fact "assessed the usefulness" of the Delivery Redesign initiative to the rate making process and concluded, as shown by the testimony of witness Raymond, that the initiative is in fact useful for ratemaking.

RESPONSE:

The Postal Service has assessed the usefulness of that part of the Delivery Redesign data gathering effort germane to the estimation of street time proportions. It is the view of the Postal Service that the data provided by the Delivery Redesign initiative are superior to the data generated by the 1985 STS study replaced in the current filing. Therefore, these data are definitely useful for ratemaking.

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NAA/USPS-9. Please refer to the Data Quality Study Summary Report (dated April 16, 1999) prepared by Link, a division of A.T. Kearney Inc. At page 93, the Summary Report states, in connection with estimating costs relating to weight:

> "c) The thinness of the data is a concern. Weight information can only be obtained from mail that is identified individually, which is now less than half of all IOCS tallies. As information is needed on many weight categories each category may have extremely small samples resulting in large sample variations. The difficulties with small sample sizes are most noted at the low and high end of the weight spectrum for a particular sub-class."

a. Does the Postal Service agree with this conclusion of the Summary Report?

b. What proportion of IOCS tallies from the Base Year was obtained from mail that is identified individually?

RESPONSE:

a. The Postal Service agrees that some of the cost estimates by weight increment have relatively large coefficients of variation. However, the Postal Service notes that those estimates are associated with very small volumes and costs. Additionally, the Postal Service does not make direct use of the point estimates of cost by subclass and weight increment, as witness Daniel indicates in her response to NAA/USPS-T28-22(c). The Postal Service does not agree that "thinness" of the data is a concern for all combinations of subclass and weight increment.

b. "Direct" IOCS tallies, where a specific subclass or special service is identified, are 83.4% of dollar-weighted tallies of employees handling mail and 36.1% of all dollar-weighted tallies of in-office activities (including handling and not-handling tallies, but excluding $7.883 billion in dollar-weighted tallies of city carrier street activity, where the carrier's specific activity at the time of the reading is not observed).

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NAA/USPS-10. Please refer to the Data Quality Study Summary Report (dated April 16, 1999) prepared by Link, a division of A.T. Kearney Inc. At page 93, the Summary Report states, in connection with estimating costs relating to weight:

> "g) To counter this missing information [data on volume of mail by weight increment for much of First Class, Periodical, Standard A and Standard B mail] the Postal Service has attempted to impute the volume by weight category. The Postal Service's studies show that the estimates of costs per weight category can vary significantly depending upon the methodology used to impute volume by weight category. Based upon this weakness, the existing costing and volume reporting systems do not provide reliable and complete estimates of mail volumes by weight. Thus, sufficiently complete and accurate data on which to base some rate designs at the rate element level are not available."

The Summary Report goes on to recommend (at page 94) that the Postal Service "Develop engineering studies that track weight in conjunction with other mail cost-causing characteristics through the entire production process."

a. Has the Postal Service developed the recommended engineering studies?
b. Why or why not?

RESPONSE:

a-b) No. Please see response to interrogatory ABA&NAPM/USPS-T28-9(b). Furthermore, engineering studies may not reflect real-world operational conditions. For example, see response to VP-CW/USPS-T28-7(d).

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NNA/USPS-2. Please respond with respect to audits.

a. If your response is to NNA/USPS-1 is yes, please state whether USPS policy requires a specific audit frequency, or if there is not a required frequency, the maximum time permitted to pass without an audit?
b. Which Postal Service personnel have responsibility to examine audit list [sic] and to determine whether the audit schedule is being kept?

RESPONSE.

Postmasters or business mail entry unit personnel are responsible for the frequency, scheduling and conduct of circulation audits. Publications that report paid/requested circulation of 60 percent or less, as shown on Forum 3526, *Statement of Ownership, Management, and Circulation,* are targeted specifically for circulation audits.

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NNA/USPS-3. What is the likelihood that a periodical would be mailed continuously without an audit?
a. [F]or 18 months[?]
b. [F]or two years[?]
c. [F]or three years?

RESPONSE.

a-c. No specific information is available to answer this interrogatory. See also the institutional response to NNA/USPS-2.

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NNA/USPS-4. Please respond to the following questions with respect to the PERMIT system.

a. When was the PERMIT system first deployed in post offices?
b. Please state an approximate annual rate of conversion of non[-]automated offices to PERMIT.
c. How many post offices were on PERMIT in the base year[?]
d. How many have been added since FY96?
e. Have any offices been removed from PERMIT since FY96? If so, why?
f. Are the PERMIT system data generally considered more reliable than data submitted by non[-]automated offices?
g. In your experience, do the data submitted by a non[-]automated office sometimes display material errors that are identified when the conversion to PERMIT is accomplished?
h. If your response to g. is yes, has the Postal Service conducted studies or made adjustments to any of its measurement systems to allow for such errors[?]

RESPONSE.

a. The PERMIT System was first deployed around 1985.

b. This can be approximated from the responses to parts (a), (c) and (d).

c. There were approximately 2,200 post offices in the PERMIT System in FY 1998.

d. Approximately 500 PERMIT System sites have been added since FY 1996.

e. A minimal number of sites left the PERMIT System by local or district decision to reallocate resources.

f. Electronic data reporting systems are generally considered to be more reliable in terms of the timeliness of reporting.

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g-h. There is no evidence that this occurs beyond the testing period for the office prior to start-up.

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NNA/USPS-5. Please provide [a] tabulated total of the number of offices on PERMIT by Cost Ascertainment Group.

RESPONSE. The table below provides these counts as can best be determined for the FY 1998 period. See also the response to NNA/USPS-T5-2.

CAG	Count
A	97
B	173
C	674
D	458
E	443
F	132
G	42
H-L	6

RESPONSE OF UNITED STATES POSTAL SERVICE
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NNA/USPS-6. Please provide a tabulated total of the number of Non[-]automated offices by Cost Ascertainment Group.

RESPONSE. The table below provides these counts as can best be determined for the FY 1998 period. See also the response to NNA/USPS-T5-2.

CAG	Count
A	488
B	22
C	56
D	159
E	1059
F	1833
G	2977
H-L	19590

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NATIONAL NEWSPAPER ASSOCIATION

NNA/USPS-7. Does the Postal Service plan to introduce PERMIT into every office at some point in the identifiable future?

RESPONSE. No.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NATIONAL NEWSPAPER ASSOCIATION

NNA/USPS-8. If yes, please state when the total conversion is expected to be completed. If no, please explain in detail why PERMIT would not be used in every post office where [P]eriodicals mail is entered.

RESPONSE. To respond to this question, one must assume that it refers to the preceding interrogatory, NNA/USPS-7. Use of PERMIT in all offices is not cost justified.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NATIONAL NEWSPAPER ASSOCIATION

NNA/USPS-10. Please respond with respect to offices operated for the Postal Service by independent contractors:

a. How many contract offices are there?
b. Does the contract generally require the postmaster to use PERMIT if USPS deems it necessary?
c. Can an independent contractor postmaster refuse its usage?
d. How are contract offices trained to use PERMIT?
e. Are contract offices generally smaller or more rural than USPS owned offices?

RESPONSE.

a. The 1999 Annual Report of the Postal Service indicates the Postal Service has 4,488 contract offices, including contract stations and branches, and community post offices.

b-d. Contract offices do not use the PERMIT System.

e. This question appears to misapprehend what constitutes a contract office. A contract office is operated by a contractor rather than by Postal Service employees. Facilities housing contract offices may or may not be owned by the Postal Service; the same is true of those operated by Postal Service employees. Many contract offices are located in more rural areas, but many are also located in more urban areas. One can safely state that the largest offices tend to be Postal Service operated.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NATIONAL NEWSPAPER ASSOCIATION

NNA/USPS-11. Please confirm that [P]eriodicals entered into additional entry offices and exceptional dispatch offices are handled identically with respect to mail processing and delivery.

RESPONSE. Assuming the respective mailings are similar in mail preparation, makeup, size, volume, presort levels and are locally destinating, mail processing and delivery activities would be similar. Differences would exist for mail entry, verification, postage payments, and perhaps available postage discounts.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NATIONAL NEWSPAPER ASSOCIATION

NNA/USPS-13. Does the Postal Service know the percentage of [I]n-[C]ounty mail volume constituted by:
a. Newspapers[?]
b. Magazines[?]
c. Newsletters[?]
d. Other matter?

RESPONSE.

a-d. No.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NATIONAL NEWSPAPER ASSOCIATION

NNA/USPS-14. Has the Postal Service or any other party to your knowledge conducted a study of the content of [I]n-[C]ounty mail since 1986? If so, please provide a reference to the study.

RESPONSE.

No.

Response of United States Postal Service
to
Interrogatories of National Newspaper Association
(Redirected from witness Meehan, USPS-T-11)

NNA/USPS-T11-14 Please confirm that the USPS could reduce the size of the 95 percent confidence interval for Periodical In-County volume variable cost by increasing the size of the samples used to estimate volume variable cost.

Response:

For subclasses of mail having very small costs, this approach is generally not practical. Consider, for example, the costs estimates of In-County publications in Cost Segment 3.1 (Clerks and Mailhandlers, mail processing). The CV associated with the Cost Segment 3.1 In-County publications costs is about 12 percent. See USPS-T-2, page 8. In order to decrease this by half (to a CV of around 6 percent), the sample size would have to be increased four-fold. Currently the data collection costs for IOCS are around 15 million dollars. See response to ANM/USPS-T2-15. The total revenue received in BY 1998 for In-County publications is about $79 million. It would make little sense to increase data collection costs by around $45 million to produce slightly more reliable costs for a subclass which generates $79 million of revenue. This example only addresses IOCS cost estimates. The total cost for In-County publications are produced by combining estimates from other sources. To the extent that any of those are sample based, there could be far more data collection costs involved that the above example illustrates for IOCS alone. Finally, it should be noted that mail pieces without subclass markings may not obtain dramatically improved estimates by increasing sample size.

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

OCA/USPS-1. Please refer to the Statement of William J. Henderson before the Subcommittee on the Postal Service, Committee on Government Reform, US House of Representatives, dated October 21, 1999. On page 4 of the statement, Postmaster General Henderson states, "As consumers grow more comfortable with logging on to pay their bills – these efforts will reach critic mass. The result could be erosion of our total revenues. We believe nearly $17 billion is at risk." Please provide the derivation of the $17 billion figure.

RESPONSE:

In his statement to the House Subcommittee on the Postal Service, Postmaster General Henderson stated that "nearly $17 billion" of Postal Service revenue is at risk. This figure is an estimate of the revenue generated by the bills, financial statements, and payments that the Postal Service carries as a part of First Class Mail. The Postal Service derived the number by estimating the amount of bills, financial statements and/or payments in each of the nonhousehold-to-household, household-to-nonhousehold, and nonhousehold-to-nonhousehold sectors of the mail stream, using data from the Household Diary Study.

The Household Diary Study is a multi-year survey of the mail sent and received by households in the United States. Table 4-10 (page IV-25 of the 1997 report) shows the contents of First Class Mail received by households as a percent of total First Class Mail. For 1997, nonhousehold (business and charitable) bills to households accounted for 16.1 percent of First Class Mail. Nonhousehold financial statements mailed to households made up 4.8 percent of First Class

Mail. Nonhousehold payments sent to households were an additional 1.3 percent of First Class Mail, for a total of 22.2 percent of First Class Mail.

Table 4-48 (page IV-122 of the 1997 report) shows mail sent by households. Households sent 7.8 percent of total First Class Mail as business transactions not in response to advertising. Almost all of this volume is assumed to be payments.

Using table 3-1 (page III-2 of the 1997 report) and assuming a proportional amount of non-household-to-nonhousehold mail is bills, financial statements, and payments, an estimate of nonhousehold-to-nonhousehold mail at risk can be developed. For bills and statements, this works out to about 12.7 percent of First Class Mail, and for payments, about 5.6 percent, for a total of 18.3 percent of First Class Mail.

Combining the above estimates yields a total of about 48.3 percent of First Class Mail in the bills, financial statements, and payments stream. Applying this to GFY 1999 First Class Mail total revenues of $34.9 billion gives just under $17 billion at risk.

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

OCA/USPS-2. Please refer to the Statement of Bernard L. Ungar, General Accounting Office, before the Subcommittee on the Postal Service, Committee on Government Reform, US House of Representatives, dated October 21, 1999. On page 5 of the Statement, Mr. Ungar states that the Postal Service provided GAO with a "detailed explanation of its volume forecast scenario and why it projects a substantial decline in First-Class Mail in the next decade." Please provide a complete copy of the volume forecast, including all assumptions utilized in the forecast. Provide all supporting workpapers and calculations.

RESPONSE:

The volume forecast scenario presented by the GAO in testimony before the House Subcommittee on the Postal Service in October 1999 included absolute volume declines for First Class mail and a slowdown in the growth of Standard (A) Mail, both beginning in Fiscal Year 2003. This scenario grew out of the effort to quantify the possible financial effects of postal reorganization as envisioned in HR 22. For that process, PricewaterhouseCoopers was asked to develop a simulation that would test a number of different scenarios regarding the environment in which the Postal Service will operate in the future, and enable comparisons to be made between them.

One of the elements embedded in these scenarios is a marked increase in diversion of traditional letter mail due to the increasing popularity of electronic alternatives, such bill presentment and payment and alternative advertising media. With some refinement, we have incorporated these assumptions into the long-term forecasting process, which has as its base the model used by the Postal Service its rate cases before the Postal Rate Commission. This became

the basis for the electronic diversion of First Class and Standard (A) mail in the scenario that the Postal Service sent to the GAO.

For First Class mail, the basic assumption is that the Postal Service will lose around half of its bills, statements, and payments by 2008. We arrived at the diversion estimate by first developing a consensus long-range forecast based on third party estimates of the growth of various types of electronic transactions. We then considered the relative rates at which these transaction types would likely supplant First Class mail, and combined these to calculate the number of pieces diverted. Finally, we used this number to devise an estimate of the percentage of First Class Mail volume that would be lost.

Similarly, we examined Standard (A) mail. We believe that the increasing use of the Internet as an advertising medium will negatively affect the growth of Standard (A) mail volume. Management's consensus diversion estimate represented an estimate of the rate at which electronic advertising will supplant ad mail, relative to the volumes projected by the then-existing model. Subsequent to that time, additional modeling has allowed us to modify the Standard (A) equation, obviating the need for an adjustment such as the management consensus Standard (A) adjustment.

Attached is the forecast as provided to GAO. Provided as USPS-LR-I-179 is the electronic speadsheet supporting the forecast.

Attachment to
Response to
OCA/USPS-2
Page 1 of 2

M. Richard Porras
Chief Financial Officer
Senior Vice President

UNITED STATES
POSTAL SERVICE

September 9, 1999

Mr. Bernard Ungar
Director, Government Business Operations
Issues
United States General Accounting Office
Washington, DC 20548-0002

Mr. Ungar:

In response to your recent request, enclosed is a volume-forecast scenario by major class of mail for inclusion in GAO's testimony at the upcoming oversight hearing.

As you know, the Postal Service worked with the Subcommittee on the Postal Service, the Postal Rate Commission, and PricewaterhouseCoopers to develop a model that allows the user to assess alternate scenarios related to postal reform. This model (the H.R. 22 scenario model) allows analysts to vary essential assumptions concerning economic drivers, including mail volume. The enclosed volume forecast scenario assumes that electronic diversion accelerates in the out-years consistent with the baseline assumptions adopted for the H.R. 22 scenario model. This formed the basis for consultations about the financial impact of H.R. 22. This scenario includes assumptions about a new and vastly different environment in which the Postal Service will operate. Changes in technology and business create a climate in which current hypotheses about mailing behavior may no longer hold. In it, a variety of technological and general business factors will combine to create an environment that is detrimental to the growth of letter mail. Specifically, the following assumptions must be held:

- *Potential Year 2000-related complications are largely avoided*, increasing business and consumer confidence in electronic alternatives to traditional mail-based bill and statement streams.
- *Businesses increase research and development and technology spending* as a result of the easy Year 2000 transition, resulting in rapid implementation of on-line banking and financial applications, and the spread of Internet-based small business Electronic Data Interchange (EDI).
- *First-Class letter advertising reaches a saturation point* because of consolidation in the banking sector, and the diversion of bills and payments away from the mail stream.
- *Advertisers move away from traditional media to Internet-based platforms* because of increased consumer use of the Internet.

Under this set of assumptions, growth of population and income will still aid total volume growth. However, the impact of diversionary trends and the cessation of positive ones combine to create a net decline in First-Class Mail volume and diminishing growth in Standard (A) beginning in Fiscal Year 2003. The combination of consumer movement to alternative bill payment methods and the consolidation of the financial sector will reduce the number of bills, statements, and payments in the mail stream. At the same time, movement of advertisers to the Internet will cause a slowdown in the growth of Standard (A). Meanwhile, growth in Priority Mail and Parcel Post will continue to be robust, as the consumer embraces electronic commerce, and more packages are shipped by Internet retailers.

Sincerely,

M. Richard Porras

475 L'Enfant Plaza SW
Washington DC 20260-5000
202 268 5272

USPS Volume Forecast
1999 - 2008
Postal Fiscal Years
Millions of Pieces

VOLUMES

CLASS/YR	[redacted]	[redacted]	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
TOTAL (FROM PWFORECAST NOT SUM OF DISPLAYED LINES)			201,884	208,254	215,866	222,432	227,884	230,325	231,731	232,170	230,806	230,564
First-Class			102,021	104,408	105,525	107,220	107,035	104,050	101,264	96,335	94,329	92,030
Priority			1,201	1,239	1,325	1,423	1,529	1,637	1,764	1,887	2,031	2,171
Express			68	70	72	74	77	80	84	87	90	93
Periodicals			10,275	10,366	10,412	10,522	10,659	10,838	10,961	11,067	11,160	11,264
Std A			85,051	89,732	96,042	100,645	105,972	111,029	114,903	117,964	119,977	121,989
Std B			1,056	1,109	1,165	1,224	1,288	1,357	1,423	1,486	1,563	1,632
Parcels			333	355	379	414	453	497	540	583	627	673
Total Domestic			200,105	207,341	214,950	221,497	226,936	229,356	230,746	231,163	229,482	229,507
International			899	913	916	934	948	969	984	1,007	1,023	1,047

GROWTH

CLASS/YR	[redacted]	[redacted]	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
TOTAL (FROM PWFORECAST NOT SUM OF DISPLAYED LINES)	[redacted]	[redacted]	2.7%	3.6%	3.7%	3.0%	2.5%	1.1%	0.6%	0.2%	-0.7%	0.0%
First-Class	[redacted]	[redacted]	2.2%	2.3%	1.1%	1.6%	-0.2%	-2.8%	-2.7%	-2.9%	-4.1%	-2.4%
Priority	[redacted]	[redacted]	2.8%	3.2%	6.9%	7.4%	7.5%	7.1%	7.7%	7.0%	7.6%	6.9%
Express	[redacted]	[redacted]	3.4%	2.4%	2.9%	3.0%	3.7%	4.1%	4.4%	3.9%	4.0%	3.3%
Periodicals	[redacted]	[redacted]	0.0%	0.9%	0.4%	1.1%	1.3%	1.7%	1.1%	1.0%	0.8%	0.9%
Std A	[redacted]	[redacted]	3.8%	5.5%	7.0%	4.8%	5.3%	4.8%	3.5%	2.7%	1.7%	1.7%
Std B	[redacted]	[redacted]	2.4%	5.0%	5.1%	5.1%	5.2%	5.3%	4.9%	4.4%	5.1%	4.4%
Parcels	[redacted]	[redacted]	4.1%	6.6%	6.8%	9.1%	9.6%	9.7%	8.8%	7.9%	7.6%	7.4%
Total Domestic	[redacted]	[redacted]	2.7%	3.6%	3.7%	3.0%	2.5%	1.1%	0.6%	0.2%	-0.7%	0.0%
International	[redacted]	[redacted]	-4.6%	1.5%	0.4%	2.0%	1.4%	2.3%	1.5%	2.3%	1.6%	2.4%

' 1997 and 1998 data have been recast to reflect improvements in volume and revenue estimation methodology.

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

OCA/USPS-3. Please provide the fiscal year 1999 CRA and supporting documentation equivalent to that for base year 1998.

Response: The FY 1999 CRA is not yet available. When it is available, it will be provided in accordance with the Commission's periodic reporting requirements contained in 39 C.F.R. § 3001.102. Any supporting documentation required by that rule will also be provided.

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

OCA/USPS-4. Please provide the equivalent of library references I-130 through I-149 for fiscal year 1999.

Response: USPS-LR-I-131, PRC Version/Roll Forward Model, already contains the information for interim year FY 1999 required by Rule 54(a)(1).

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

OCA/USPS-5. The edition of the "F8 Handbook" on file in the Commission docket room entitled "General Classification of Accounts" is dated September, 1993 and was filed as USPS-LR-237 in Docket No. R97-1. Please provide a current "F8 Handbook" for the USPS chart of accounts. Include in the copy provided all changes that have occurred since the edition dated September, 1993. If the current F8 Handbook is available in electronic format, please provide that as well.

RESPONSE:

The current handbook, dated 8/29/96, is available only in electronic format and is being filed as part of Library Reference I-183. Transmittal letters indicating subsequent changes are available only in hard copy and are included in the library reference as well. (To the extent it appears that there are missing transmittal letters, they are changes in finance numbers only and not changes to the handbook.)

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

OCA/USPS-7. The Office of the Inspector General's web site contains a link to the "Semiannual Report to Congress" for the period ending March 31, 1999. Please provide copies of all other semiannual reports issued to date. Please provide a copy of the semiannual report for the first half of 2000 as soon as it is issued.

RESPONSE:

Copies of the requested semiannual Inspector General reports are provided in USPS LR-I-181. The semiannual report for the first half of 2000 will not be available until later in the spring.

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

OCA/USPS-8. Please refer to the attachment. Please provide the cost of preparing, processing, transporting, and delivering this mail.

RESPONSE: No study of the cost of processing, transporting or delivery of this particular mailing has been performed. Its mail processing, transportation and delivery cost characteristics should be similar to those of other Standard A Saturation ECR mail pieces. Research concerning the cost of preparing the mail piece continues.

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

OCA/USPS-9. The revised Government Fiscal Year 1999 Revenue, Pieces and Weight Report, dated December 20, 1999, and filed with the Commission December 27, 1999, indicates that 380,103,000 pieces were mailed in the service category of "U.S. Postal Service Mail" in GFY 1998 and 382,283,000 in GFY 1999. Please provide breakdown of these mailings for each year, including a description of each mailing or type of mailing. Indicate how many were nationwide in scope and/or intended to be delivered to every domestic delivery address.

RESPONSE: The requested data are not available. The volume estimates cited in OCA/USPS-9 are based on Domestic RPW sample results and represent national aggregates. They cannot be broken down by specific originating mailings or by scope of delivery (actual or intended). Additionally, no administrative system exists that collects the requested information.

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

OCA/USPS-10. In the rebuttal testimony of Postal Service witness Michael W. Miller, USPS-RT-17 in Docket No. R97-1, at page 18, lines 30-31, Mr. Miller states that "at least one CEM-specific direct mailing ($11 million) would need to be sent to every household and business in the United States."

(a) Please update the $11 million figure based on data from the Test Year in R2000-1.

(b) Please identify the costs or components of, or otherwise explain the derivation of the updated figure.

RESPONSE: (a&b) The $11 figure can be updated by multiplying an estimated TY volume variable unit cost for Standard A Mail Saturation ECR by 130,000,000 (estimated number of domestic delivery addresses).

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

OCA/USPS-11. Dr. Tolley and Dr. Thress provide information supporting volumes and revenues for the Test Year.

(a) Various witnesses indicate efforts in the areas of efficiency improvements by the Postal Service and market development. Please explain how these factors are accounted for in the Postal Service volume and revenue projections. Are there any other efforts beyond those outlined in the filed testimony which are wholly, partially, or prospectively under consideration and/or implementation?

(b) Reference is also made to electronic media: are there any studies, consideration, or information on the potential impact of the emerging technological changes in electronics and telephony on the demand for existing and/or new services? If so, please provide copies of any such documents.

RESPONSE

a) Efficiency improvements which affect postal prices, for example, through reductions in postal costs, are accounted for in the volume forecasts by the price elasticities of demand. Efficiency improvements which have no impact on postal prices would have no impact on the projections of Postal Service volumes and revenues in the Test Year. To the extent that efficiency improvements continue to increase demand for mail services, as for example, advances which encourage the use of automated mail, these improvements are included in the historical volume data and reflected in the future volume forecast.

Market development initiatives are taken into consideration in the volume forecasts. For example, Dr. Tolley's forecasts of parcel post volume take account of the success of the Postal Service's drop-ship discount program, reflected in the net trend included in the forecast of DBMC parcel post volume.

We are not aware of any other efforts beyond those outlined in the filed testimony which are under consideration for implementation in the Test Year.

b) The testimony of Dr. Tolley (USPS-T-6) contains extensive discussions of the role of technological changes on mail volumes. Please see, for example, his discussion of electronic diversion of First-Class letter volume at page 43, line 6 to page 56, line 11 and his discussion of the impacts of Internet advertising on Standard A Regular volume at page 120, line 5 to page 123, line 15.

Other materials relating to this general topic are shown on the list provided as an attachment to this response. Copies of a few of the items on the list (those originating with AD Little or Christensen Associates) will be included (because of their length) within USPS-LR-I -182, to be filed shortly. However, most of the items on the list are produced by organizations other than the Postal Service, and are not necessarily under the control of the Postal Service. To avoid potential contractual complications, copies of those documents should be obtained from the originating organization. Addresses and phone numbers are provided to assist in that effort.

Another recent document included within LR-I-182 will be a summary of the Price Waterhouse Coopers analysis of the impact of electronic media done in connection with the HR 22 scenario model.

Study Title	Date	Publisher
The Internet and Future of Transaction Documents - Abstract	11/23/99	CAP Ventures, Inc.
The Internet and Future of Transaction Documents - Final Report (PDF) #2466a	11/01/99	CAP Ventures, Inc.
The Internet and Future of Transaction Documents - Forecast Tables (XLS) #2466b	11/01/99	CAP Ventures, Inc.
The Internet and Future of Transaction Documents - Questionnaires (PDF) #2466c	11/01/99	CAP Ventures, Inc.
The Internet and Future of Transaction Documents - E-commerce, ERP and Electronic Billing Interviews (PDF) #2466d	11/01/99	CAP Ventures, Inc.
The Internet and Future of Transaction Documents - Print Center Interviews (PDF) #2466e	11/01/99	CAP Ventures, Inc.
The Internet and Future of Transaction Documents - Final Presentation to USPS (PDF) #2466f	11/01/99	CAP Ventures, Inc.
Electronic Bill Payment and Presentment: The Consumer Perspective (PDF) #2670	10/28/99	Synergistics
Assessing the Impact of Internet Integration on the Small and Medium Business Market	09/20/99	Yankee Group
1999 DSS The State of the Market in Retail Financial Services - Delivery Systems (PDF) #2566	04/14/99	PSI
1999 DSS The State of the Market in Retail Financial Services - Delivery Systems (PPT) #2566	04/14/99	PSI
Web Advertising 1998-99: Market Analysis and Forecast #2609	04/01/99	Simba Information Inc.
Electronic Bill Payment and the Impacts on Mail Volume - Evidence from the Household Diary Study 1995-1997 #2628	04/01/99	Christensen Associates
Internet/On-line Usage and the Impacts on Mail Volume - Evidence from the Yankee Group Interactive Consumer Survey 1998 #2629	04/01/99	Christensen Associates
Electronic Bill Payments and the Impacts on Mail Volume - Evidence from the Household Diary Study 1995-1997 (PDF) #2628	04/01/99	Christensen Associates
Internet/On-line Usage and the Impacts on Mail Volume - Evidence from the Yankee Group Interactive Consumer Survey 1998 (PDF) #2629	04/01/99	Christensen Associates
Enterprise e-Billing and Payments Markets: New Opportunities for Billers, Merchants and Their IT Suppliers #2476	03/19/99	Killen
Electronic Bill Presentment and Payment: Market Readiness Part One: The Consumer Perspective (PDF) #2554	02/19/99	Yankee Group
Electronic Bill Presentment and Payment Opportunities and Threats (PDF) #2475	01/27/99	Killen
Internet Advertising, 1998 #2377-18115	01/01/99	IDC/Link
The Sellers Speak: Learning from the Leaders #2377-17873	01/01/99	IDC/Link
1998 SMART Program: Defining E-Commerce (PDF) #2513	12/29/98	Mentis Corporation
PSI Payments: Market Sizing Analysis (PDF) #2412d	12/29/98	PSI
1998 SMART Program: Disaster Recovery Strategies and Solutions for Banking (PDF) #2512	12/23/98	Mentis Corporation
1998 SMART Program: Information and Communication Technology Expenditures: Projections for 1998 through 2002 (PDF) #2511	12/23/98	Mentis Corporation
Mass-Customization Marketing: Maximizing Value of Customers #2377-17816	12/01/98	IDC/Link
Why Personalized Content Matters #2377-17816	12/01/98	IDC/Link
PSI Payments: Market Sizing Analysis #2412d	12/01/98	PSI
1998 DSS Topical Reports - The Future of Online Banking #2542	12/01/98	PSI
1998 SMART Program: Financial Services Industry Convergence (PDF) #2539	12/01/98	Mentis Corporation
1998 SMART Program: The Developing Role of the Branch as a Sales Center (PDF) #2540	12/01/98	Mentis Corporation
1998 Electronic Bill Presentment and Payment Program: Data Tables (PDF) #2463b	12/01/98	Mentis Corporation
1998 SMART Program: Paper Payments: Trends and Strategies for the New Century (PDF) #2541	12/01/98	Mentis Corporation
1998 Electronic Bill Presentment and Payment Program: Executive Summary Report (PDF) #2463a	12/01/98	Mentis Corporation
US Consumer Internet and Online Services Forecast, 1997-2002 #2377-17970	12/01/98	IDC/Link
Online Nation: 1998 US Internet User Survey #2377-17884	12/01/98	IDC/Link
1998 Holistic Consumer/TAF Report (PDF) #2601	12/01/98	Yankee Group
1998 SMART Program: Defining E-Commerce #2513	12/01/98	Mentis Corporation
1998 DSS Topical Reports- The Future of Online Banking (PDF) #2542	12/01/98	PSI
1998 SMART Program: Information and Communication Technology Expenditures: Projections for 1998 through 2002 #2511	12/01/98	Mentis Corporation
Online Brokerage Forecast, 1997-2002: Redefining the Brokerage Landscape #2377-17485	11/01/98	IDC/Link
PSI PAYMENTS Consumer Analysis (PDF) #2412b	11/01/98	PSI
1998 DSS Topical Reports - Migrating Consumers to Alternative Delivery (PDF) #2480	11/01/98	PSI
1998 SMART Program: Consumer Payment Methods: The Changing Role of Debit, Credit, and Smart Cards #2456	10/08/98	Mentis Corporation
The US Segment of the 1998 Global IT Survey #2377-17174	10/01/98	IDC/Link
PSI PAYMENTS Consumer Analysis Executive Summary (PDF) #2412c	10/01/98	PSI
Electronic Bill Presentment and Payments: Markets, Framework, and Suppliers (PDF) #2474	10/01/98	Killen
Evaluation of the Mailing Industry Current Situation and Future Trends #2335	10/01/98	Arthur D. Little, Inc.
Remittance Mail Forum (PDF) #2468	10/01/98	USPS Internal Data
PSI Payments Biller Executive Interview Analysis #2412a	09/01/98	PSI

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Retail Delivery News #2459	09/01/98	Phillips Publishing International
1998 SMART Program: Mining for Gold: Customer Profitability Strategies in Retail Banking #2447	09/01/98	Meritz Corporation
Home Office Internet Use Reaches Record Level #2377-17141	09/01/98	IDC/Link
Insurance Systems and Technology Data Tables (PDF) #2427a	09/01/98	Meritz Corporation
1998 SMART Program: Trends in Community Banking Automation (PDF) #2464	09/01/98	Meritz Corporation
1998 SMART Program: Consumer Payment Methods: The Changing Role of Debit, Credit and Smart Cards #2456		
Cards #2456	09/01/98	Meritz Corporation
PSI PAYMENTS Biller Executive Interview Analysis (PDF) #2412a	09/01/98	PSI
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1998 SMART Program: Issues and Opportunities in Small Business Banking (PDF) #2413	08/27/98	Meritz Corporation
Online Segmentation Analysis #2377	08/03/98	IDC/Link
Adoption of Information Security Technology in the Enterprise #2377-16879	08/01/98	IDC/Link
The Forrester Report #2431	07/03/98	Forrester Research
Web Usage Trends #2407	07/01/98	IDC/Link
PSI Payments Business Analysis #2412	07/01/98	PSI
1998 SMART Program: Beyond the PIN: #2414	07/01/98	Meritz Corporation
US Home Office Market Review and Forecast, 1997-2002 #2377-16848	07/01/98	IDC/Link
The Global Market Forecast for Internet Usage and Commerce #2377-16988	07/01/98	IDC/Link
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PSI PAYMENTS Business Analysis Executive Summary (PDF) #2412a	07/01/98	PSI
The Electronic Marketplace 2002 #2393	06/08/98	Simba Information Inc.
1998 SMART Program: The Government Converts from Paper to Electronic Transactions: Evaluating the Effects of		
EFT99, EBT, and EFTPS #2358	06/01/98	Meritz Corporation
1998 SMART Program: The IT Balancing Act: Finding the Optimal Central IT Role in a Distributed Financial Services Organization #2355	06/01/98	Meritz Corporation
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1998 SMART Program: The IT Balancing Act: Finding the Optimal Central IT Role in a Distributed Financial Services Organization (PDF) #2355	06/01/98	Meritz Corporation
1998 SMART Program: The Government Converts from Paper to Electronic Transactions: Evaluating the Effects of		
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Profiting From Change in the US Payments System (PDF) #2337	05/01/98	PSI/BAI
The Interactive Consumer Survey #2432	04/01/98	Yankee Group
1997 Remote Electronic Banking: Executive Summary #2291	03/01/98	Meritz Corporation
Growth Indicators for Electronic Commerce #2441	02/01/98	Arthur D. Little, Inc.

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

OCA/USPS-12. Postal Service projections appear generally to be based on the development of databases and regressions. Has the Postal Service engaged in any other type of forecasting – for example ARIMA and the variety of other time series techniques used for projections? If so, please discuss the use of such types of forecasting and its relation to projections appearing in the rate filing.

RESPONSE:

Postal volume forecasts are based on regression analysis because it is the belief of the Postal Service that understanding the factors that drive mail volume is the key to good forecasting. An ARIMA-type forecast, on the other hand, simply examines historical trends in mail volumes, without regard for the cause of these trends, and simply assumes that these trends will continue into the future. The Postal Service believes that such an assumption is unnecessarily naive and will lead to less accurate volume forecasts. Furthermore, such forecasts would be particularly difficult to employ in a rate case, as after-rates forecasts must take account of the effect of the Postal Service's proposed prices on mail volumes.

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

OCA/USPS-13. A properly specified and competently performed econometric analysis can provide a prediction of future demand, assuming that the exogenous variables are correctly modeled. However, the effects of major turning points in the economy have not been captured by the data. Accordingly, a regression which is correct may still fail in providing correct forecasts if there has been a major discontinuity in the exogenous variables.

(a) Does this possibility apply to any of the Postal Service regression equations as presented by the various witnesses?

(b) Has the issue been considered by Postal Service management, economists, and other personnel? If so, are they any studies or evaluations of the issue? Please provide copies of any documents.

RESPONSE:

(a) Most of the important exogenous variables used in the volume forecasts are provided by DRI, Inc. DRI is a well-regarded economic forecasting firm but, as is the case with any forecast, the possibility exists that major turning points in the economy could occur that would cause actual volumes to differ from those projected for this case. However, this would be the case only if the turning points were unexpected. For example, if a major cyclical decline were correctly projected by DRI for the Test Year, the forecasts would capture this turning point through the application of the estimated elasticities to the projected declines in income, consumption, retail sales and other macroeconomic variables.

(b) The sensitivity of forecast volumes to possible changes in the economy is always a concern of Postal Service economists. There are no formal studies of this sensitivity, which is generally measured by examining the impact on forecast volumes resulting

from changes in one or more of the forecast variables or through the inclusion of net trend terms designed to measure the effects of possible changes in the market for postal services.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES
OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-15. Does the Postal Service have or know of an estimate of the number of households that are aware of the difference between the First-Class stamp rate and the First-Class additional-ounce rate?
(a) If so, please provide the estimate and all documents relating to the estimate.
(b) If not, please explain why no estimate is available.

RESPONSE: No.

(a) N/A

(b) Because the Postal Service neither has nor knows of any such estimate, no such estimate is available.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES
OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-16. Does the Postal Service have an estimate of the number of households that maintain two sets of stamps for the First-Class stamp rate and the additional-ounce rate?
(a) If so, please provide the estimate and all documents relating to the estimate.
(b) If not, please explain why no estimate is available.

RESPONSE: No. The Postal Service notes that there is a 55-cent stamp for single-piece mail weighing between 1 and 2 ounces, which households can use for items such as wedding invitations.

(a) N/A

(b) Because the Postal Service neither has nor knows of any such estimate, no such estimate is available.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES
OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-17. Does the Postal Service have an estimate of the number of households that maintain two sets of stamps for the First-Class stamp rate and the nonstandard surcharge.
(a) If so, please provide the estimate and all documents relating to the estimate.
(b) If not, please explain why no estimate is available.

RESPONSE: No. The Postal Service notes that there is not an 11-cent stamp, the amount of the current nonstandard surcharge for single-piece mail. Customers may use a 10-cent stamp and a one-cent stamp, or some other combination of denominations totaling 11 cents.

(a) N/A

(b) Because the Postal Service neither has nor knows of any such estimate, no such estimate is available.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES
OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-18. Does the Postal Service have or know of an estimate of the number of households that are aware of the difference between the First-Class stamp rate and the single-piece card rate?
(a) If so, please provide the estimate and all documents relating to the estimate.
(b) If not, please explain why no estimate is available.

RESPONSE: No.

(a) N/A

(b) Because the Postal Service neither has nor knows of any such estimate, no such estimate is available.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES
OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-19. Does the Postal Service have an estimate of the number of households that maintain two sets of stamps for the First-Class stamp rate and the single-piece card rate?
(a) If so, please provide the estimate and all documents relating to the estimate.
(b) If not, please explain why no estimate is available.

RESPONSE: No.

(a) N/A

(b) Because the Postal Service neither has nor knows of any such estimate, no such estimate is available.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES
OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-20. Please describe all efforts undertaken by the Postal Service within the last three years to educate households about differences among and qualifications for:
(a) The First-Class rate.
(b) The additional ounce rate.
(c) The nonstandard surcharge.
(d) The single-piece card rate.

RESPONSE:

(a) – (d) The Ratefold (Notice 123) includes all of the above. In addition, the Postal Service website (www.usps.com), particularly the Rate Calculator and Postal Explorer sections of the site, provides information on all of the above. The Call Center is also available to answer any questions that households may have.

The *Consumer's Guide to Postal Services and Products* (Publication 201) includes an explanation for First-Class Mail and the nonstandard surcharge. The *Consumer's Guide to Postal Rates and Fees* (Publication 123) includes all of the above. Poster 123 S, a smaller retail lobby wall poster, and Poster 123 L, a large retail lobby wall poster, include all of the above. Notice 3A, which is a letter-size dimensional standards template, shows minimum/maximum sizes for both letter and post card pieces, with an explanation of the surcharge. These items, including the Ratefold, are available in post office lobbies, as well as mailed out by the Consumer Affairs Office and the Call Center by customer request.

Some local post offices deliver rate increase notices to businesses and households right before implementation of new rates. In addition, training classes completed by postal personnel (see response to OCA/USPS-22) enable personnel to educate household customers on a daily basis through over-the-counter retail transactions and by telephone contact.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES
OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-21. For each of the past three years, please provide an estimate of the monies spent by the Postal Service to educate households about differences among the following:
(a) The First-Class rate.
(b) The additional ounce rate.
(c) The nonstandard surcharge rate.
(d) The single-piece card rate.

RESPONSE:

(a) – (d) Postal Service educational efforts about these rates, as discussed in the response to OCA/USPS-20, apply to the mailing community as a whole, whether household or business. It is not possible to split the effort into activities for households versus activities for businesses. No estimates of monies spent to educate households are available.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES
OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-22. For each of the past three years, please describe all educational efforts undertaken by the Postal Service to educate Postal Service personnel about differences among and qualifications for:
(a) The First-Class rate.
(b) The additional ounce rate.
(c) The nonstandard surcharge.
(d) The single-piece card rate.

RESPONSE: All of the publications and materials described in the response to OCA/USPS-20 are also applicable here. In addition, the Domestic Mail Manual Sections E100 and R100 discuss all of the above.

In terms of training, Mail Classification Course 57601-01 provides mandatory training for all Revenue Protection clerks, Business Mail Entry clerks, and Mailing Requirements clerks. Standard Training Program for Window Clerks (Course 42520-00) provides mandatory training for all window clerks. These courses include all of the above.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES
OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-23. Please provide all information the Postal Service has on household underpayment or overpayment of postage for First-Class letters.
(a) Submit all documents relating to the underpayment or overpayment of postage for First-Class letter postage by households.
(b) Describe the Postal Service's enforcement and auditing procedures for ensuring correct postage payment for First-Class letters.

RESPONSE:

(a) The Postal Service does not maintain data on underpayment/overpayment of postage by type of mailer, for example, for households or for small businesses.

(b) The procedures for First-Class letters mailed in bulk are contained in the attached Management Instruction DM-140-1999-1. Postage due enforcement for single-piece mail is the responsibility of the delivery unit. If the carrier identifies a shortpaid piece at the carrier's case, it will be brought to the accountable clerk to be weighed and marked with the correct amount of postage to bring it up to the First-Class rate. A clerk who may be manually sorting the shortpaid piece may note that it is postage due and will sort it to the holdout on the manual case for postage due mail which will be logged in by the accountable clerk. Carriers are accountable for the postage due items each day, and are expected to return either the required postage or the short-paid items at the end of the workday. These procedures are applied to First-Class Mail generally, that is, there are no special procedures for dealing with shortpaid additional ounce postage versus shortpaid nonstandard surcharge postage versus shortpaid single-piece cards postage.

UNITED STATES POSTAL SERVICE

Management Instruction

Date	September 14, 1999
Effective	Immediately
Number	DM-140-1999-1
Obsoletes	DM-140-89-2
Unit	National Accounting

John H. Ward
Vice President, Finance, Controller

Assessing and Collecting Deficiencies in Postage or Fees

This management instruction (MI) implements the policy and procedures found in the *Domestic Mail Manual* (DMM) P011.4.0 and P011.5.0, for assessment and collection of shortages in postage and fees paid to the U.S. Postal Service.

Revenue deficiencies result from the insufficient payment of postage and fees owed to the Postal Service at the time service is provided to a customer. This instruction is not intended to be a substitute for the requirement of postal employees to collect all monies due the Postal Service at the time service is rendered. Revenue deficiencies must not only be collected, but their causes must be determined and corrected.

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Time Limits on Assessments

Once a revenue deficiency is discovered, the Postal Service looks at previous mailings or fees to see if other deficiencies exist. How far back in time the Postal Service looks depends on the category of mail or service as indicated in the following table:

Type of Revenue Deficiency	General Time Limit (Subject to Exceptions Noted Below)
Revenue deficiencies resulting from mailings requiring a postage statement.	No more than 24 months prior to the date this revenue deficiency was discovered.
Revenue deficiencies resulting from fees and all other sources.	No more than 12 months prior to the date this revenue deficiency was discovered.

Exceptions: The above time limits do not apply in the following circumstances:

1. In revenue deficiencies where fraud or misrepresentation are reasonably suspected. This includes concealment from other postal employees of rulings and opinions, which would have provided for a proper fee or rate payment.
2. If it has been determined that *no* postage or fees were paid for the service rendered.
3. Mailing history discloses evidence of repeated non-compliance with mailing standards.

Attachment to Response to OCA/USPS-23 Page 1 of 11

Reporting and Processing a Postage or Fee Deficiency

Reporting

The postal employee finding the evidence or assigned to investigate the revenue deficiency must make a detailed written report of the circumstances. The postal employee is to submit this report to the postmaster at the office of mailing and the manager of Business Mail Entry (MBME), and is to forward a copy to the district Finance manager.

Note: Fee deficiencies are not to be sent to the MBME.

Processing

Within 10 working days, the postmaster, MBME, and district Finance manager must review the report to determine the validity of the deficiency. If the validity of the report is in question by the postmaster or MBME, the district Finance manager is to rule on the amount to be assessed.

To prevent overstatement of revenue, the district Finance manager must take appropriate steps to ensure that entries made to AIC 119, Revenue Deficiency Found, and AIC 759, Revenue Deficiency Issued, reflect the probable collection amount of the revenue deficiency.

The district Finance manager should maintain a District Revenue Deficiency Log for review, containing at a minimum, the following information:

1. Debtor name and address.
2. Date of revenue deficiency report.
3. Type of revenue deficiency (postage or fee).
4. Total amount of the revenue deficiency as reported.
5. Probable amount of the revenue deficiency that can be collected and recorded as revenue in AIC 119, Revenue Deficiency Found.
6. Date, AP, and FY of entry to AIC 119, Revenue Deficiency Found.
7. Actual amount collected.
8. AP and FY the collection is booked.
9. Comments.

Note: All copies of the District Revenue Deficiency Log, whether electronic or written, must be marked for "Restricted Information." Any requests for information contained in the log should be referred to the area Finance manager. The District Revenue Deficiency Log is to be retained indefinitely. See the *Administrative Support Manual* (ASM) 351.33a.

If the finding is deemed valid, then the district Finance manager must insure the following steps are taken by the postmaster or MBME:

If ...	Then ...
A deficiency exists,	Issue an initial notification letter assessing the deficiency within 21 days of the initial report and post the probable collection amount to AIC 119, Revenue Deficiency Found. (See the Notification of Intent to Collect section of this MI.)
The revenue deficiency will not be referred to criminal or civil litigation by the Inspection Service,	Immediately post the probable collection amount of the revenue deficiency to AIC 119, Revenue Deficiency Found. The offset should be AIC 759, Revenue Deficiency Issued (AIC 814, Suspense — accountbook).
The revenue deficiency will be referred to criminal or civil litigation by the Inspection Service,	Post the probable collection amount of the revenue deficiency to AIC 119, Revenue Deficiency Found, and AIC 759, Revenue Deficiency Issued, after receiving confirmation from the Inspection Service that a revenue deficiency exists. The postmaster or district Finance manager will not take action to collect (unless the postmaster or district Finance manager is instructed by the Inspection Service to proceed with collection).
An interim investigative report is issued by the Inspection Service,	Post the probable amount to AIC 119, Revenue Deficiency Found, and AIC 759, Revenue Deficiency Issued. The report should state whether the postmaster, MBME, or district Finance manager is to assess the deficiency or whether the report is for information only, requiring no action at this time.

Notification of Intent to Collect

The postmaster or MBME does the following when notifying the debtor of a decision to collect a revenue deficiency:

1. Prepares a written notification that includes the following information:
   a. Amount due the Postal Service.
   b. All bases used for the determination (how the deficiency was determined) and the applicable DMM sections.

c. A letter advising the debtor that this is the Postal Service's final decision, unless the debtor submits a written appeal within the time limits set forth in the DMM. The debtor must submit any appeal through the postmaster or MBME to the Rates and Classification Service Center (RCSC) manager. (If the RCSC manager initiates the notification or if the deficiency is based on the misuse of a Non-profit Standard Mail rate, the notification letter must advise the debtor that an appeal may be submitted through the RCSC manager to the manager of Mail Preparation and Standards, Headquarters.

2. Sends the original letter to the debtor by First-Class Mail, certified, return receipt requested.
3. Sends a copy of the letter to the district Finance manager.
4. Makes a written record of the date of delivery and any previous delivery attempts.
5. Maintains a copy of all records.

If No Response Is Received From the Debtor

Additional efforts are necessary in cases where the deficiency is not collected:

If ...	Then ...
After notification, the debtor neither pays, arranges for payment, nor submits an appeal,	Make a written report to the district Finance manager. (See the Handling Uncollectible Revenue Deficiencies (Local) section of the MI.)
The debtor appeals the decision,	Suspend all collection action until a final Postal Service decision is issued. Send the appeal letter, a copy of the initial notification letter, a copy of the original report submitted by the revenue assurance analyst, postal inspector, or other postal employee, and a memorandum responding to the debtor's claims in the appeal, to the RCSC manager. (If the RCSC manager initiated the initial notification letter, all supporting information will be forwarded to the manager of Mail Preparation and Standards, Headquarters.) If the debtor has not responded after 30 days of an appeal decision being rendered, resume collection efforts.

If ...	Then ...
The revenue deficiency report originated with a Postal Inspection Service investigation or an Office of the Inspector General report or finding,	Send a report (without attachments) detailing current collection efforts to the originator of the revenue deficiency report.

Appeals for Fee Deficiency

Appeals for fee deficiencies are made to the district Finance manager.

Appeals for Postage Deficiency

The RCSC manager or manager of Mail Preparation and Standards, as appropriate, must respond to appeals for postage deficiencies by doing the following:

1. Review the initial decision of the postage deficiency assessment.
2. Analyze the objections made by the debtor concerning classification issues.
3. Determine whether:
   a. The postage was underpaid.
   b. The deficiency was correctly calculated under the regulations in effect at the time.
   c. The postal forms or authorized postage payment procedures used by the mailer for computation were correct under the regulations in effect at the time.

Waiver of Deficiency (Mailer Not Held Liable)

Special Notes:

1. Waivers may only be issued by the district Finance manager, RCSC manager, or manager of Mail Preparation and Standards, Headquarters.
2. These conditions do not preclude a ruling that future mailings may not be entered at the claimed lower rate.

If any of the conditions listed below existed when a mailing was accepted and entered, waive the postage deficiency. The district Finance manager should forward a copy of the file to the RCSC manager for a ruling on future mailings. The district Finance manager should notify the area Finance manager and post the District Revenue Deficiency Log.

If ...	Then ...
The debtor presents a written authorization provided by an MBME, mailpiece design analyst, postmaster, RCSC employee, or Mail Preparation and Standards employee to either: 1. Mail a specific mailpiece using a specific design standard, or 2. Enter mail using specific preparation standards for the specific postage rates claimed.	Send a classification ruling letter to the debtor. Send a copy of that letter to the postmaster, MBME, and the district Finance manager, detailing the reason for waiver. The district Finance manager is to file a claim for loss for the amount, which has been posted to AIC 119, Revenue Deficiency Found.
The design of a mailpiece is at issue, and the authorization is associated with the final mockup or live mailpiece that was approved. (Acceptable authorization can be on the approved mailpiece or a separate document, but must show full signature, titles, and dates of those who authorized the mailing. Postage statements alone are not authorization for the purpose of this section.)	Send a classification ruling letter to the debtor. Send a copy of that letter to the postmaster, MBME, and the district Finance manager detailing the reason for the waiver. The district Finance manager is to file a claim for loss for the amount, which has been posted to AIC 119, Revenue Deficiency Found.

Final Classification Decision

The RCSC manager or manager of Mail Preparation and Standards, Headquarters, must notify the debtor of the final classification decision by First-Class Mail, certified, return receipt requested. The notifying manager must also maintain the official file copy of all documentation and correspondence for a minimum of four years and send a copy of the decision letter to the postmaster, MBME, district Finance manager, Headquarters General Counsel, and all Postal Service offices involved.

Notes:

1. Any revised letter of collection from the district Finance manager or postmaster to the debtor should be sent to the RCSC to become a part of the file.
2. The RCSC should contact the district Finance manager and advise of any circumstances that might influence the collection process, which are beyond the interpretation of mailing requirements.

Payment

Special Notes:

1. The field counsel's office must be contacted by the district Finance manager prior to the establishment of any settlement that is less than an immediate full payment of the deficiency.
2. Official Mail Accounting System (OMAS) revenue deficiencies are forwarded to the district OMAS coordinator for input into the OMAS system after certification. The funds are collected through the Penalty Mail Reimbursement Program. See Handbook DM-103, *Official Mail,* for details.
3. Record an additional entry to AIC 119, Revenue Deficiency Found, and offset to AIC 752, Final Remittance, for any amount collected from the debtor that is in excess of the original amount placed in AIC 119, Revenue Deficiency Found, and AIC 759, Revenue Deficiency Issued.

Accepting Full Payment

When full payment is received (see Exhibit 1), the postal employee should remove the deficiency from suspense by depositing the funds to AIC 752, Final Remittance, on the daily Form 1412 and make an offsetting entry to AIC 359, Revenue Deficiency Cleared.

Exhibit 1
Example of Full Payment of a Revenue Deficiency

A $10,000 revenue deficiency is on the books for the ABC Co. The revenue deficiency has already been posted to AIC 119, Revenue Deficiency Found, and offset to AIC 759, Revenue Deficiency Issued (Form 1412), AIC 814, Suspense (accountbook). The revenue deficiency is paid in full.

The postmaster or district Finance manager does the following:

1. Posts $10,000 to Cash Remitted (AIC 752, Final Remittance — Form 1412, and AIC 802, In Bank — accountbook).
2. Posts $10,000 to Revenue Deficiency Cleared (AIC 359, Revenue Deficiency Cleared — Form 1412, and decreases AIC 814, Suspense — accountbook).
3. The postmaster notifies the district Finance manager when the funds are successfully collected.

Establishing Accounts Receivable for Installment Payments

Special Notes:

1. The area Finance manager, or designee, must approve any accounts receivable installment plan for revenue deficiencies above $50,000 in value.
2. The area Finance manager, or designee, must approve any accounts receivable installment plan which is based on a claim of financial hardship, regardless of dollar value.
3. An agreement must be written with the assistance of field counsel and include a provision for accelerating the balance due on the default of any installment. The district Finance manager is to retain a copy of the payment agreement.

After reviewing all documentation, the district Finance manager notifies the Minneapolis ASC by completing Form 1902, *Justification for Billing Accounts Receivable* (which includes the debtor's SSN or tax ID number), for the final amount to be financed. When the receivable is established at the Minneapolis ASC, finance charges are assessed at the current rate, in the Financial/Accounts Receivable System at the time of agreement. (Instructions for completing Form 1902, *Justification for Billing Accounts Receivable,* are contained in section 362.1 of Handbook F-1, *Post Office Accounting Procedures.*) Finance personnel may not revise the amount owed at this point. The district Finance manager may initiate an installment payment agreement for up to 3 years with the following terms (see Exhibit 2):

1. Finance charges are computed each month on the unpaid balance and are computed from the date of receipt at the Minneapolis ASC.

   Note: The Form 1902, *Justification for Billing Accounts Receivable,* should reflect the amount of deficiency to be collected.

2. Payments may be in equal amounts, but no single payment may be for less than 1/36 of the entire amount due including monthly finance charges that are reflected on the Debtors Monthly Statement.
3. The Minneapolis ASC forwards to a collection agency if payments are in arrears. If collection efforts are unsuccessful by the collection agency, the balance due will be forwarded to the U.S. Treasury Offset Program.

Exhibit 2
Example of Full Payment of a Revenue Deficiency Received in Installments

A $10,000 revenue deficiency is on the books for the ABC Co. The revenue deficiency has already been posted to AIC 119, Revenue Deficiency Found, and offset to AIC 759, Revenue Deficiency Issued (Form 1412), AIC 814, Suspense (accountbook). The district Finance manager accepts full payment of $10,000 in installments.

The district Finance manager does the following:

1. Obtains a written agreement with the debtor.
2. Completes a Form 1902, *Justification for Billing Accounts Receivable*. The amount of the receivable is $10,000. Clears suspense for $10,000 by posting it to AIC 359, Revenue Deficiency Cleared (Form 1412), and decreasing AIC 814, Suspense (accountbook).
3. Posts $10,000 to AIC 636, Miscellaneous Receivables, and forwards Form 1902, *Justification for Billing Accounts Receivable,* to the Minneapolis ASC the same day.
4. Attaches a copy of the payment agreement to Form 1902, *Justification for Billing Accounts Receivable.*

Note: When the receivable is established at the Minneapolis ASC, finance charges are calculated on the unpaid balance.

Accepting Partial Payment

Special Note: The area Finance manager or designee must approve all partial payment agreements for revenue deficiencies.

If ...	Then the district Finance manager ...
The debtor offers a partial payment and submits detailed financial records that sufficiently demonstrate financial hardship (must be reviewed by the field counsel),	May accept the offer of a partial payment based on the circumstances, after concurrence of the field counsel and approval of the area Finance manager, and coordinates the partial payment collection.
A decision is made to accept a partial payment and the debtor submits the partial payment in one installment,	Must submit a Form 2130, *Claim for Loss — Initial Letter,* on the unpaid amount and apply the Claim for Loss amount and payment to clear the suspense item (see Exhibit 3).

If ...	Then the district Finance manager ...
The debtor agrees to partial payment of the deficiency in installments,	Initiates an agreement with the debtor for a settlement with installment payments for *no more* than 3 years with finance charges computed each month on the unpaid balance. The remainder of the deficiency amount recorded in AIC 119, Revenue Deficiency Found, is written off on a Form 2130, *Claim For Loss — Initial Letter,* using the mailing office's finance number.

Exhibit 3
Example of Partial Payment of a Revenue Deficiency

A $10,000 revenue deficiency is on the books for the ABC Co. The revenue deficiency has already been posted to AIC 119, Revenue Deficiency Found, and offset to AIC 759, Revenue Deficiency Issued (Form 1412), AIC 814, Suspense (accountbook). The district Finance manager accepts partial payment of $5,000 in installments as settlement of the deficiency.

The district Finance manager does the following:

1. Notifies the postmaster of the agreement for partial payment, justifies the claim for loss, and completes a Form 2130, *Claim for Loss — Initial Letter,* for the $5,000 following the claim for loss procedures in chapter 8 of Handbook F-1, *Post Office Accounting Procedures.*
2. Prepares a Form 1902, *Justification for Billing Accounts Receivable.* The amount of the receivable is $5,000.
3. Clears the original $10,000 suspense (after the Form 2130 is approved) by entering $10,000 to AIC 359, Revenue Deficiency Cleared (decrease AIC 814, Suspense — accountbook). Offsets this entry by entering $5,000 in AIC 633, Claim for Cash Loss, and $5,000 in AIC 636, Miscellaneous Receivables.

Note: When receivable is established at the Minneapolis ASC, finance charges are calculated on the unpaid balance.

Handling Uncollectible Revenue Deficiencies (Local)

Special Note: The area Finance manager or designee must be informed of all uncollectible revenue deficiencies.

The following table denotes actions required by postmasters or district Finance manager, and field counsel if deficiencies are uncollectible:

If ...	Then the ...	Is to ...
The debtor does not respond within 30 days of a decision or refusal to pay,	Postmaster	Forward to the district Finance manager all records and documents, including those relating to any appeal.
Records are received from the postmaster indicating that a deficiency is uncollectible, or efforts to collect are unsuccessful,	District Finance manager	Promptly attempt to collect outstanding amounts by all available means, or refer the matter to the appropriate field counsel for collection. This written referral must include all documents as requested by the field counsel. The district Finance manager is to provide assistance to the field counsel.
If the revenue deficiency is not collected,	District Finance manager	Take one of the following two actions *if appropriate:* 1. Hold the postmaster or MBME responsible for the deficiency (in whole or in part). 2. Relieve the postmaster or MBME of responsibility for the deficiency and follow the claim for loss procedures in section 847 of Handbook F-1, *Post Office Accounting Procedures.*
A referral is received by a field counsel,	Field counsel	Complete the Claims Collection Litigation Report (CCLR), and proceed with legal action.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES
OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-24. Please provide all information the Postal Service has on household underpayment or overpayment of postage for the additional ounce rate for First-Class letter mail. Include any additional information the Postal Service has on the incidence of households affixing an additional 33-cent stamp to pay the additional ounce rate.

(a) Submit all documents relating to the underpayment or overpayment of postage by households for the additional ounce rate for First-Class letter mail.

(b) Describe the Postal Service's enforcement and auditing procedures seeking to ensure correct postage payment of the additional ounce rate for First-Class letters.

RESPONSE:

(a) The Postal Service does not maintain data on underpayment/overpayment of postage by type of mailer, for example, for households or for small businesses.

(b) Please see response to OCA/USPS-23(b).

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES
OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-25. Please provide all information the Postal Service has on household underpayment or overpayment of postage for First-Class single-piece cards. Include any additional information the Postal Service has on the incidence of households affixing a 33-cent stamp to pay for single-piece card mailings.
(a) Submit all documents relating to the underpayment or overpayment of postage by households for First-Class single-piece cards.
(b) Describe the Postal Service's enforcement and auditing procedures seeking to ensure correct postage payment for First-Class single-piece cards.

RESPONSE:

(a) The Postal Service does not maintain data on underpayment/overpayment of postage by type of mailer, for example, for households or for small businesses.

(b) Please see response to OCA/USPS-23(b).

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES
OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-26. Please provide all information the Postal Service has on household underpayment or overpayment of postage for the nonstandard surcharge for First-Class letter mail.

(a) Submit all documents relating to the underpayment or overpayment of postage by households for the nonstandard surcharge for First-Class letter mail.

(b) Describe the Postal Service's enforcement and auditing procedures seeking to ensure correct postage payment for the First-Class letter nonstandard surcharge.

RESPONSE:

(a) The Postal Service does not maintain data on underpayment/overpayment of postage by type of mailer, for example, for households or for small businesses.

(b) Please see response to OCA/USPS-23(b).

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES
OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-27. Please separately quantify revenues lost and revenues gained by underpayment or overpayment of First-Class postage for household mail during the most recent fiscal year for which such data is available. If no information is available, please explain why not.

RESPONSE: The Postal Service does not maintain data on the underpayment or the overpayment of postage by type of mailer, for example, for households or for small businesses.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES
OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-29. Please refer to the Decision of the Governors of the United States Postal Service on the Recommended Decisions of the Postal Rate Commission for Docket No. R97-1. Please confirm that the Postal Service adheres entirely to the reasoning expressed in the CEM decision. If not confirmed, please explain.

RESPONSE: At present the Postal Service is not faced with a CEM proposal that revives the concerns and the issues reflected in the Docket No. R97-1 Decision of the Governors. However, if such a proposal were made before the Commission in this proceeding, it would likely generate a similar reaction from the Postal Service.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES
OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-30. Does the Postal Service have any estimates or other information regarding the volume of courtesy reply mail supplied by businesses to households for each of the past three years?
(a) If so, please provide the estimate and all documents relating to the estimate.
(b) If not, please explain why no estimate is available.

RESPONSE: Yes.

(a) See the attached three tables developed using First-Class Mail data from the 1996-1998 Household Diary Studies. 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 government and social/charitable institutions can be deleted (73 and 90, respectively). Thus, the total weighted volume of First-Class Mail reply envelopes received from businesses in a week is 244,400,000 (2607-73-90 • 100,000), or 12.7 billion pieces annually. Note that the table does not provide detail for merchant or services industries.

(b) N/A.

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

TABLE 117
FIRST-CLASS MAIL RECEIVED
Q.11 - DID THE RETURN ENVELOPE/CARD REQUIRE POSTAGE

(ONLY ANSWERED IF A RETURN ENVELOPE/CARD WAS ENCLOSED)
(BASED TO FIRST-CLASS MAIL ONLY)

FIRST-CLASS MAIL RECEIVED - INDUSTRY

	TOTAL	TOTAL FINANCIAL	CREDIT CARD	BANK SEL C.U.	SECURITY BRKR	MONEY MKT	INSURANCE CO.	REAL EST. MORTGAGE	OTHER FINANCIAL	TOTAL MFG.	TOTAL GOVT	FEDERAL	STATE LOCAL	OTHER GOVT.	TOTAL SOCL. CHAR.
UNWEIGHTED HOUSEHOLDS	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300
UNWEIGHTED PIECES	15547	6774	3747	962	359	29	1479	171	27	112	337	-	337	-	606
WEIGHTED HOUSEHOLDS	1018 100.0	1018 100.0	1018 100.0	1018 100.0	1018 100.0	1018 100.0	1018 100.0	1018 100.0	1018 100.0	1018 100.0	1018 100.0	1018 100.0	1018 100.0	1018 100.0	1018 100.0
WEIGHTED PIECES (BASE)	3447 100.0	1524 100.0	848 100.0	212 100.0	85 100.0	6 100.0	329 100.0	36 100.0	8 100.0	28 100.0	85 100.0	-	85 100.0	-	140 100.0
WAS PRESTAMPED OR POSTAGE PAID	772 100.0 22.4 22.4	462 59.9 30.3 13.4	296 38.4 34.9 8.6	59 7.7 27.9 1.7	40 5.2 47.1 1.2	3 0.4 44.5 0.1	55 7.1 16.6 1.6	8 1.0 20.8 0.2	2 0.3 30.0 0.1	13 1.7 45.8 0.4	10 1.3 12.1 0.3	-	10 1.3 12.1 0.3	-	47 6.1 33.5 1.4
NEEDED A STAMP	2607 100.0 75.6 75.6	1031 39.5 67.7 29.9	538 20.6 63.4 15.6	148 5.7 70.0 4.3	44 1.7 52.1 1.3	3 0.1 47.5 0.1	265 10.2 80.5 7.7	27 1.0 75.4 0.8	5 0.2 70.0 0.2	15 0.6 53.9 0.4	73 2.8 86.0 2.1	-	73 2.8 86.0 2.1	-	90 3.5 64.4 2.6
DON'T KNOW/NO ANSWER	69 100.0 2.0 2.0	30 44.3 2.0 0.9	14 20.3 1.6 0.4	4 6.5 2.1 0.1	1 1.0 0.8 *	1 0.7 8.0 *	9 13.7 2.9 0.3	1 2.0 3.9 *	-	0 0.2 0.4 *	2 2.4 1.9 *	-	2 2.4 1.9 *	-	3 4.3 2.1 0.1
MEAN	3.39	0.62	0.00	0.00	0.00	0.00	0.00	0.00	0.61	0.00	0.00	0	0.00	0	0.00
STD DEV	3.22	1.06	0.02	0.03	0.01	0.03	0.03	0.03	1.05	0.02	0.02	0	0.02	0	0.03
STD ERR	0.06	0.02	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.00	0.00	0	0.00	0	0.00

Attachment to
Response to OCA/USPS-30
page 1 of 3

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Note: Percentage less than 0.05 printed as *.

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

TABLE 117
FIRST-CLASS MAIL RECEIVED
Q.11 - DID THE RETURN ENVELOPE/CARD REQUIRE POSTAGE

(ONLY ANSWERED IF A RETURN ENVELOPE/CARD WAS ENCLOSED)
(BASED TO FIRST-CLASS MAIL ONLY)

	FIRST-CLASS MAIL RECEIVED - INDUSTRY														
	TOTAL	TOTAL FINAN CIAL	CRDIT CARD	BANK S&L C.U.	SECUR ITY BRKR	MONEY MKT	INSUR ANCE CO.	REAL EST. MORT GAGE	OTHER FINAN CIAL	TOTAL MFG.	TOTAL GOVT	FED- ERAL	STATE LOCAL	OTHER GOVT.	TOTAL SOCL. CHAR.
UNWEIGHTED HOUSEHOLDS	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300
UNWEIGHTED PIECES	15764	6519	3453	964	396	31	1486	164	25	130	347	-	346	1	695
WEIGHTED HOUSEHOLDS	1010 100.0	1010 100.0	1010 100.0	1010 100.0	1010 100.0	1010 100.0	1010 100.0	1010 100.0	1010 100.0	1010 100.0	1010 100.0	1010 100.0	1010 100.0	1010 100.0	1010 100.0
WEIGHTED PIECES (BASE)	3437 100.0	1422 100.0	778 100.0	209 100.0	77 100.0	6 100.0	312 100.0	36 100.0	4 100.0	25 100.0	80 100.0	-	80 100.0	0 100.0	140 100.0
WAS PRESTAMPED OR POSTAGE PAID	696 100.0 20.2 20.2	374 53.8 26.3 10.9	222 31.9 28.5 6.5	49 7.1 23.6 1.4	39 5.7 51.2 1.1	3 0.4 42.9 0.1	52 7.4 16.5 1.5	7 1.0 20.3 0.2	2 0.3 43.2 0.1	12 1.7 47.7 0.3	11 1.5 13.3 0.3	-	11 1.5 13.4 0.3	-	47 6.7 33.3 1.4
NEEDED A STAMP	2677 100.0 77.9 77.9	1021 38.1 71.8 29.7	543 20.3 69.8 15.8	153 5.7 73.4 4.5	36 1.3 46.7 1.0	3 0.1 55.2 0.1	256 9.6 81.9 7.4	28 1.0 77.7 0.8	2 0.1 46.1 0.1	13 0.5 51.1 0.4	68 2.5 84.1 2.0	-	67 2.5 84.0 2.0	0 0 100.0 0	90 3.3 64.2 2.6
DON'T KNOW/NO ANSWER	64 100.0 1.9 1.9	27 42.7 1.9 0.8	13 20.6 1.7 0.4	6 9.7 3.0 0.2	2 2.5 2.1 *	0 0.2 1.9 *	5 7.9 1.6 0.1	1 1.1 2.0 *	0 0.7 10.7 *	0 0.4 1.2 0	2 3.3 2.6 0.1	-	2 3.3 2.6 0.1	-	4 5.5 2.5 0.1
MEAN	3.40	0.51	0	0.00	0.00	0	0.00	0.00	0.51	0.00	0	0	0	0	0.00
STD DEV	3.11	0.95	0	0.02	0.02	0	0.01	0.01	0.95	0.04	0	0	0	0	0.05
STD ERR	0.06	0.02	0	0.00	0.00	0	0.00	0.00	0.02	0.00	0	0	0	0	0.00

Note: Percentage less than 0.05 printed as *.

CHILTON RESEARCH SERVICES

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

TABLE 117
FIRST-CLASS MAIL RECEIVED
Q. 11 - DID THE RETURN ENVELOPE/CARD REQUIRE POSTAGE
(ONLY ANSWERED IF A RETURN ENVELOPE/CARD WAS ENCLOSED)
(BASED TO FIRST-CLASS MAIL ONLY)

	FIRST-CLASS MAIL RECEIVED - INDUSTRY												
	TOTAL	TOTAL FINANCIAL	CREDIT CARD	BANKS & L C.U.	SECURITY BRKR	MONEY MKT.	INSURANCE CO.	REAL EST. MORTGAGE	TOTAL GOVT.	FEDERAL	STATE LOCAL	TOTAL SOCL. CHAR.	TOTAL MANUFACTURER
UNWEIGHTED HOUSEHOLDS	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300
UNWEIGHTED PIECES	16197	6588	3596	962	348	44	1437	174	379	-	378	744	137
WEIGHTED HOUSEHOLDS	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
WEIGHTED PIECES (BASE)	3571	1464	802	208	80	9	320	40	87	-	87	172	26
	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	761	422	263	59	35	2	54	7	17	-	17	72	9
POSTAGE PAID	21.3	28.8	32.8	28.4	43.7	22.6	16.8	17.7	19.1		19.1	41.8	36.5
	100.0	55.4	34.6	7.8	4.6	0.3	7.1	0.9	2.2		2.2	9.4	1.2
	21.3	11.8	7.4	1.7	1.0	0.1	1.5	0.2	0.5		0.5	2.0	0.3
NEEDED A STAMP	2743	1011	523	145	43	7	260	31	69	-	69	97	16
	76.8	69.1	65.3	69.5	53.2	77.4	81.3	76.9	79.1		79.1	56.4	62.2
	100.0	36.9	19.1	5.3	1.6	0.2	9.5	1.1	2.5		2.5	3.5	0.6
	76.8	28.3	14.7	4.1	1.2	0.2	7.3	0.9	1.9		1.9	2.7	0.4
DON'T KNOW/NO ANSWER	67	31	16	4	2	-	6	2	2	-	2	3	0.
	1.9	2.1	1.9	2.1	3.1		1.8	5.4	1.8		1.8	1.8	1.2
	100.0	46.7	23.4	6.4	3.7		9.2	3.2	2.3		2.3	4.7	0.5
	1.9	0.8	0.4	0.1	0.1		0.2	0.1	.		.	0.1	.
MEAN	3.59	1.47	0.81	0.22	0.08	0.01	0.32	0.05	0.09	-	0.09	0.17	0.02
STD DEV	3.15	1.80	1.19	0.54	0.41	0.14	0.69	0.24	0.34	-	0.34	0.56	0.18
STD ERROR	0.05	0.02	0.01	0.01	0.01	-	0.01	-	0.01	-	0.01	0.01	-
SIGMA	3571	1464	802	208	80	9	320	40	87	-	87	172	26
	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

CHILTON RESEARCH SERVICES NO. 5746 APRIL 1997 WEIGHTED NUMBERS ARE REPORTED IN HUNDRED THOUSANDS

9027

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES
OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-31. Please refer to the OCA's Courtesy Envelope Mail ('CEM') Proposal in Docket No. R97-1, Tr. 21 at 10679.

(a) Please list all documents (whether or not in final form) relating to a courtesy envelope mail (CEM) proposal, or to any proposal substantially similar to the CEM proposal.
(b) Please supply all documents relating to part 'a' of this interrogatory.
(c) Please list all pending proposals for reports, studies, and surveys (whether or not in final form) relating to a CEM proposal, or to any proposal substantially similar to the CEM proposal.

RESPONSE:

(a) – (c) The Postal Service is not faced with a CEM proposal at this time, and it remains hopeful, given its past objections and concerns regarding CEM, as well as those expressed by the Governors, that it will not be faced with such a proposal again in Docket No. R2000-1. If it becomes clear to the Postal Service during the course of litigating this rate case that some type of CEM proposal is imminent, it may once again begin the process of fully anticipating and assessing such a likelihood. No reports, studies, or surveys relating to a CEM proposal have been generated by or for the Postal Service since the submission of rebuttal testimony in Docket No. R97-1.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES
OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-32. Does the Postal Service believe that household mailers are dishonest and deliberately apply incorrect postage to their First-Class mail? If so, please provide all documents relating to the basis for that opinion.

RESPONSE: No. While most household mailers are honest, it does seem inevitable that some unknown number of household mailers will deliberately shortpay postage.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES
OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-33. Does the Postal Service have any information on the volume of First-Class letter mail submitted by households that has an incorrect postage payment? If so, please provide all relevant documents relating to incorrect postage payment of First-Class letter mail.

RESPONSE: The Postal Service does not maintain data on the volume of mail with incorrect postage by type of mailer, for example, for households or for small businesses.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES
OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-34. Is the Postal Service aware of any address verifications performed by vendors supplying electronic postage? If so, please provide all documents relating to address verification procedures performed.

RESPONSE: The Information Based Indicia Program's (IBIP) Performance - Criteria for Information Based Indicia and Security Architecture for Open IBI Postage Evidencing Systems (PCIBI-O) dated June 25, 1999 provides requirements for the development of IBI open systems by private product service providers. Section C.3.2.4.2 provides the requirement for address verification:

> The host system shall integrate and use the USPS Address Matching System (AMS) Application Program Interface (API) to produce a standardized address for the mailpiece. The host may perform the ZIP+4 validation at the time of indicia creation or may provide another method that satisfies USPS requirements for the proper ZIP+4 coding. The standardized address shall include the standard POSTNET delivery point barcode.

The document quoted above is available on the Postal Service's website (www.usps.com/ibip and click on "Program Documentation").

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES
OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-35. Do the reply envelopes of mailers who supply courtesy reply envelopes and take automation discounts meet automation compatibility requirements?

(a) If not, please explain why the reply envelopes do not meet automation compatibility requirements.
(b) Over the past year, please provide the volume of courtesy reply envelopes provided by mailers described in this interrogatory that do not meet the requirements. Provide all source documents relating to the courtesy reply envelope volume.
(c) What specific steps has the Postal Service put in place to ensure future automation compatibility compliance?

RESPONSE: Yes. See part (a) below.

(a) Letter-size reply envelopes enclosed in mailings claimed at automation rates must meet automation compatibility standards. Postal Service procedures for checking compliance are described in the Attachment, which includes relevant pages from the 12-5-96 *Postal Bulletin*, the January 1997 *The Mailroom Companion*, the March 1997 *The Mailroom Companion*, and the December 1999 "Mailer's Companion."
(b) No such data are available.
(c) See part (a) above.

Documentation for Periodicals Mailings

The effective date for the standards for use of Presort Accuracy Validation and Evaluation (PAVE)-certified software or standardized documentation for Periodicals mailings (DMM M210.7.0) is changed from January 1, 1997, to July 1, 1997. This extension will allow time for presort software vendors and mailers who develop presort software in-house to ensure their software is sorting mail and documenting postage in accordance with the new standards prior to the date of required use. The next PAVE test cycle will begin in January 1997 and, with the change in the date of required use of PAVE-certified software, vendors and mailers can be assured that they will have sufficient time to test their software, make all necessary modifications and distribute the software to their customers in time to meet the July 1 effective date.

An article describing the corresponding DMM revisions appears elsewhere in this issue of the *Postal Bulletin.*

—Pricing and Classification Implementation, Marketing Systems, 12-5-96

Enclosed Reply Pieces in Automation Rate Mail

As previously announced, effective January 1, 1997, any reply card or envelope (business reply, courtesy reply, or metered reply) that is enclosed in an automation rate letter or flat must meet the applicable physical standards for automation compatibility, bear the correct facing identification mark (FIM), and include the correct barcode for the address to which the reply card or envelope is being returned. (Also as previously announced, this standard will take effect on March 1, 1997, *only* for Preferred Periodicals and Nonprofit Standard Mail.)

However, at this time, the enforcement of the enclosed reply mail standard will be limited to bringing noncomplying reply pieces to the attention of the originator for corrective action. *No mailing will be rejected, delayed, or assessed higher postage solely because it is found to contain a noncomplying reply piece, nor will mail be held solely to detect or examine enclosed reply pieces.* However, if an enclosed reply piece is found during another verification process, it may be checked for compliance with the applicable preparation standards.

The primary occasion for identifying a noncomplying reply piece is when it is returned to the originator. At that time a reply piece can be examined to verify compliance with the physical standards for automation (DMM C810) and that it bears the correct FIM and barcode. (Detailed information about the applicable standards is available in the DMM, in Publication 353, *Designing Reply Mail,* and from the mailpiece design analyst (MDA) assigned to each postal business center.)

When a noncomplying reply piece is identified, the detecting postal employee will contact the MDA at the local postal business center and provide the MDA with sufficient information to identify the reply piece, its originator, and the nature of the deficiency (e.g., no FIM). In turn, the MDA will contact the originator and provide the necessary information and assistance so that the originator can prepare reply pieces that meet the applicable standards. More detailed instructions and sample customer letters will be distributed directly to MDAs in the near future.

At the same time, the Postal Service is coordinating an educational campaign with the Envelope Manufacturers' Association (EMA) so that its members may be an additional resource to reply mail originators. Materials produced as part of this process will be distributed to EMA members for their use and to postal business centers.

—Pricing and Classification Implementation, Marketing Systems, 12-5-96

Post Office Box Campaign

A new campaign, designed to create awareness of the many benefits of post office box service — value, convenience, security, and trust — is in full swing. Targeting post office box customers, the campaign began in mid-November with a postcard mailing to postmasters and station managers advising of the event.

A promotional kit is being mailed on December 5 and 6, which contains post office box stuffers, a banner, and instructions for usage. Postmasters and stations managers are asked to display the banner within the box section and distribute the material to promote the effort for a two-month period. Because the banner is made of a reusable material, this "good news" can be displayed at other appropriate times during the year at the discretion of the local post offices.

More information concerning the campaign can be obtained from John Landwehr (202-268-5028) or Sharon Coruzzi (202-268-3626).

—Pricing and Classification Implementation, Marketing Systems, 12-5-96

Attachment to Response to OCA/USPS-35
Page 1 of 12

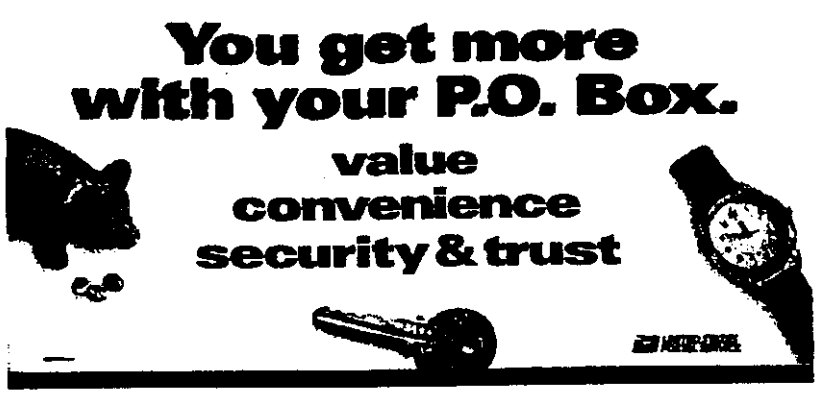
Post Office Box Campaign

A new campaign, designed to publicize the many benefits of post office box service, is in full swing. Emphasizing the benefits of value, convenience, security, and trust, the campaign began in mid-November with a postcard mailing to postmasters and station managers advising of the event.

A promotional kit was mailed on December 5 and 6 that contained post office box stuffers, a banner, and instructions for usage. Postmasters and stations managers should display the banner within the box section and distribute the material to promote the effort for a 2-month period. Because the banner is made of a reusable material, it can be displayed at other appropriate times during the year at the discretion of local post offices.

John Landwehr (202-268-5028) or Sharon Coruzzi (202-268-3626) at Postal Service Headquarters can provide tips and answer questions about the campaign.

—Pricing and Classification Implementation



Enclosed Reply Pieces in Automation Rate Mail

As previously announced, effective January 1, 1997, any reply card or envelope (business reply, courtesy reply, or metered reply) enclosed in an automation rate letter or flat must meet the applicable physical standards for automation compatibility, bear the correct facing identification mark (FIM), and include the correct barcode for the address to which the reply card or envelope is being returned. This standard takes effect on March 1, 1997, *only* for Preferred Periodicals and Nonprofit Standard Mail.

However, at this time, the enforcement of the enclosed reply mail standard is limited to bringing noncomplying reply pieces to the attention of the originator for corrective action. *No mailing will be rejected, delayed, or assessed higher postage solely because it is found to contain a noncomplying reply piece. Nor will mail be held solely to detect or examine enclosed reply pieces.* However, if postal employees find an enclosed reply piece during another verification process, they may check it for compliance with the applicable preparation standards.

The primary occasion for identifying a noncomplying reply piece is when it is returned to the originator. At that time, postal personnel can examine a reply piece to verify that it meets the physical standards (*Domestic Mail Manual* (DMM) C810) for courtesy reply and meter reply mail and DMM S922 for business reply mail, and to confirm that it bears the correct FIM and barcode.

Detailed information about the applicable standards is available in the DMM, in Publication 353, *Designing Reply Mail*, and from the mailpiece design analyst (MDA) assigned to each postal business center.

When a noncomplying reply piece is identified, the detecting postal employee contacts the MDA at the local postal business center and provides the MDA with sufficient information to identify the reply piece, its originator, and the nature of the deficiency (for example, the piece does not bear a FIM).

In turn, the MDA contacts the originator and provides the necessary information and assistance so that the originator can prepare reply pieces that meet the applicable standards. MDAs will receive more detailed instructions and sample customer letters in the near future.

At the same time, the Postal Service is coordinating an educational campaign with the Envelope Manufacturers' Association (EMA). The Postal Service will distribute materials produced as part of this process to EMA members for their use as well as to postal business centers.

—Pricing and Classification Implementation

Barcoded Reply Mail

If a mailer wants to receive reply mail as quickly as possible, barcoding allows the Postal Service to help achieve this goal. Printing an accurate address, the proper facing identification mark (FIM), and the correct barcode on each piece and making it automation-compatible allows for direct processing on postal barcode sorters. Barcoding and automation compatibility of letter-size pieces can help lower Postal Service operational costs by making this mail efficient to process.

All letter-size reply mail provided as enclosures in automation rate mailings *must* meet the applicable standards for automation compatibility, must include the correct FIM, and must bear the correct barcode. This standard became effective January 1, 1997, for First-Class Mail, Regular Periodicals, and Regular Standard Mail, and on March 1, 1997, for Preferred Periodicals and Nonprofit Standard Mail.

The December 5, 1996, *Postal Bulletin* and the January *Mailroom Companion* announced that implementation of this standard will be accomplished by bringing to the attention of the original mailer any noncomplying reply pieces found at the delivery point. By doing this, the Postal Service can review all reply pieces regardless of how they were originally distributed and inform all users of reply mail of the benefits of barcoding and automation.

The barcode on courtesy reply mail (CRM) or meter reply mail (MRM) may be placed either in the address block or in the lower right barcode clear zone according to *Domestic Mail Manual* (DMM) C840. For CRM and MRM, the correct barcode could be a delivery point barcode (62 bars); a ZIP+4 barcode (52 bars), if the address is assigned an individual (unique) ZIP+4 code; or, in some cases, a 5-digit barcode (32 bars) if the address is assigned a firm (unique) 5-digit ZIP Code.

Business reply mail (BRM) pieces may have only the ZIP+4 barcode representing the ZIP+4 code assigned to the BRM user by the Postal Service. Effective March 1, 1997, BRM permit holders who distribute window envelopes or affix address labels also have the option of printing the ZIP+4 barcode in the address block. BRM pieces measuring more than 4¼ by 6 inches need only meet the 0.007-inch minimum thickness standard.

Mailpiece design analysts at postal business centers nationwide will help design reply mail.

Pages 12 and 13 contain separate checklists for customers and post offices to use in reviewing reply mailpieces: BRM appears on page 12, and CRM and MRM on page 13.

New templates and additional materials (e.g., customer notification letters) are being developed for distribution to all postal business centers and sales offices to assist in reviewing reply mail. In the meantime, current templates— Notice 67, *Automation Template* (January 1997), and Item 07, *Automation Gauge*, Model 007 (August 1992), can be utilized along with DMM Quick Service Guides (QSGs) 922 for BRM, 923 for CRM, and 924 for MRM. These QSGs are included in this issue and are also available electronically on the Postal Service's Web site at http://www.usps.gov/clr/qsgmenu.htm, and at post offices with access to Postal Explorer. Please note, QSG 923 in DMM Issue 51 contains an incorrect FIM. All electronic QSGs and the ones in this issue are correct and updated. Also, QSG 922 in this issue and on the Web is updated to include the provision for address block barcodes on BRM.

Although Publication 353, *Designing Reply Mail* (July 1995), contains useful information, it also has some instructions that are now out of date. Therefore, the DMM and QSGs are the best available source, especially for those offices and customers in locations not easily accessible to mailpiece design analysts (MDAs) and business mail entry offices.

A camera-ready positive representing the appropriate FIM and barcode for the reply mail address is available at no cost (through local post offices) from postal business centers. MDAs are assigned to postal business centers throughout the country to assist with the design of customers' reply mail. Mailers are encouraged to provide samples of reply pieces before printing to ensure that the best quality piece is achieved.

The district MDA or business mail entry manager can answer any mailer questions.

—Pricing and Classification Implementation

Business Reply Mail Checklist

See DMM S922 and Quick Service Guide 922

1. "BUSINESS REPLY MAIL"

a. ☐ Not all capital letters.
b. ☐ Minimum height standard for lettering not met.
c. ☐ Improperly worded.
d. ☐ Other _____.

2. "First-Class Mail Permit No.**** City/State"

a. ☐ Improperly worded.
b. ☐ Incorrect or missing permit number.
c. ☐ Other _____.

3. "Postage Will Be Paid by Addressee"

a. ☐ Missing.
b. ☐ Improperly worded.
c. ☐ Improperly positioned.
d. ☐ Authorized federal agency name missing (official mail only).
e. ☐ Other _____.

4. Delivery Address Block

a. ☐ Delivery address line (street address/post office box number) not directly above city/state/ZIP+4 code line.
b. ☐ ZIP+4 code does not correspond to barcode.
c. ☐ Extraneous printing below address.
d. ☐ City/state/ZIP+4 code line too low.
e. ☐ City/state/ZIP+4 code line too high.
f. ☐ Logo below delivery address line.
g. ☐ Minimum clearances between address and window edges not maintained during "insert shift."
h. ☐ Other _____.

5. ZIP+4 Barcode and Lower Right Barcode Clear Zone

a. ☐ Barcode incorrectly positioned.
b. ☐ Barcode unreadable.
c. ☐ BRMAS only: incorrect ZIP+4/barcode for rate category (type/weight of piece).
d. ☐ Incorrect ZIP+4 code/barcode (explain)

_____.

e. ☐ Minimum print reflectance difference not met.
f. ☐ Minimum clearances between barcode and window edges not maintained during "insert shift."
g. ☐ Extraneous printing or other matter in barcode clear zone.
h. ☐ Other _____.

6. Facing Identification Mark (FIM)

a. ☐ Incorrect or missing.
b. ☐ Improperly positioned.
c. ☐ Minimum print reflectance difference not met.
d. ☐ Extraneous printing in clear zone.
e. ☐ Other _____.

7. "No Postage Necessary If Mailed in the United States"

a. ☐ Improperly worded.
b. ☐ Improperly positioned.
c. ☐ Too far from the right edge of the piece.
d. ☐ Other _____.

8. Horizontal Bars

a. ☐ Extend below top of delivery address line (street address/post office box number).
b. ☐ Improperly spaced.
c. ☐ Thickness of bars not uniform.
d. ☐ Length of bars not uniform.
e. ☐ Other _____.

9. Other

a. ☐ Aspect ratio not met.
b. ☐ Minimum height (3½ inches) not met.
c. ☐ Minimum length (5 inches) not met.
d. ☐ Minimum thickness not met.
e. ☐ Piece improperly sealed (explain)

_____.

f. ☐ "Official Business, Penalty for Private Use $300" missing/improperly placed (official mail only).

Courtesy Reply Mail Checklist

See Quick Service Guide 923

1. Facing Identification Mark (FIM)

a. ☐ Incorrect or missing.
b. ☐ Improperly positioned.
c. ☐ Minimum print reflectance difference not met.
d. ☐ Extraneous printing in clear zone.
e. ☐ Other _____.

2. Postage Area: Customer Reminder to Affix Postage (optional element)

a. ☐ Too far from right edge of piece.
b. ☐ Other _____.

3. Delivery Address Block

a. ☐ Delivery address line (street address/post office box number) not directly above city/state/ZIP Code line.
b. ☐ ZIP Code does not correspond to barcode.
c. ☐ City/state/ZIP Code line too low.
d. ☐ City/state/ZIP Code line too high.
e. ☐ Minimum clearances between address & window edges not maintained during "insert shift."
f. ☐ Other _____.

4. Barcode and Lower Right Barcode Clear Zone

a. ☐ Barcode incorrectly positioned.
b. ☐ Barcode unreadable.
c. ☐ Incorrect ZIP Code and barcode (explain) _____.
d. ☐ Minimum print reflectance difference not met.
e. ☐ Minimum clearances between barcode and window edges not maintained during "insert shift."
f. ☐ Extraneous printing or other matter in barcode clear zone.
g. ☐ Other _____.

5. Other

a. ☐ Aspect ratio not met.
b. ☐ Minimum height (3½ inches) not met.
c. ☐ Minimum length (5 inches) not met.
d. ☐ Minimum thickness not met.
e. ☐ Piece improperly sealed (explain) _____.

Meter Reply Mail Checklist

See DMM P030 and Quick Service Guide 924

1. Facing Identification Mark (FIM)

a. ☐ Incorrect or missing.
b. ☐ Improperly positioned.
c. ☐ Minimum print reflectance difference not met.
d. ☐ Extraneous printing in clear zone.
e. ☐ Other _____.

2. Meter Stamp

a. ☐ Improperly positioned.
b. ☐ Date shown.
c. ☐ Illegible.
d. ☐ Not enough postage for type/weight of piece.
e. ☐ Other _____.

3. "No Postage Stamp Necessary. Postage Has Been Prepaid by"

a. ☐ Missing.
b. ☐ Improperly worded.
c. ☐ Other _____.

4. Delivery Address Block

a. ☐ Delivery address line (street address/post office box number) not directly above city/state/ZIP Code line.
b. ☐ ZIP Code does not correspond to barcode.
c. ☐ City/state/ZIP Code line too low.
d. ☐ City/state/ZIP Code line too high.
e. ☐ Minimum clearances between address and window edges not maintained during "insert shift."
f. ☐ Addressee not meter license holder (separately notify license holder).
g. ☐ Other _____.

5. Barcode and Lower Right Barcode Clear Zone

a. ☐ Barcode incorrectly positioned.
b. ☐ Barcode unreadable.
c. ☐ Incorrect ZIP Code and barcode (explain) _____.
d. ☐ Minimum print reflectance difference not met.
e. ☐ Minimum clearances between barcode and window edges not maintained during "insert shift."
f. ☐ Extraneous matter in barcode clear zone.
g. ☐ Other _____.

6. Other

a. ☐ Aspect ratio not met.
b. ☐ Minimum height (3½ inches) not met.
c. ☐ Minimum length (5 inches) not met.
d. ☐ Minimum thickness not met.
e. ☐ Piece improperly sealed (explain) _____.

Business Reply Mail (BRM)

Related QSGs: 811, 923, 924

Overview For an annual fee, a BRM permit is available for distributing business reply cards, envelopes, self-mailers, cartons, or labels. Business reply mail (BRM) allows the permit holder to receive First-Class Mail back from customers by paying postage only on the mail returned. The BRM permit holder guarantees payment of First-Class postage plus a per-piece fee for pieces returned by the USPS (see payment options below). When designing a BRM mailpiece or label, mailers must consult with their local postal business center or post office. The piece must conform to a specific format to qualify as BRM including a unique ZIP+4 code assigned by the USPS. Proofs should be approved by the USPS before printing. On the reverse is a layout example for a BRM envelope. BRM pieces distributed in automation rate mailings are required to meet automation compatibility standards.

Payment Options (S922)

Business Reply (Basic Service)—Annual permit fee $85.00.
Per piece charge $0.44 plus First-Class postage. Paid through postage-due account or in cash on delivery. Used for cards, envelopes, self-mailers, cartons, or business reply labels.

Basic Service
Cost per piece
First-Class postage + 44¢
Letter (1 oz.) 32¢ + 44¢ = 76¢
Card Rate 20¢ + 44¢ = 64¢

Business Reply Accounting Fee Service (Large Volume)—Annual permit fee $85.00 plus annual BRM accounting fee of $205.00. Per piece charge $0.10 plus First-Class postage. Paid through BRM advance deposit account only. Used on cards, envelopes, self-mailers, cartons, or business reply labels. Best suited if return volume is approximately 600 pieces or more per year.

Accounting Fee Service
Cost per piece
First-Class postage + 10¢
Letter (1 oz.) 32¢ + 10¢ = 42¢
Card Rate 20¢ + 10¢ = 30¢

Business Reply Mail Accounting System (BRMAS) (Large Volume, Automation-Compatible)—Annual permit fee of $85.00 plus annual BRM accounting fee of $205.00. Per piece charge $0.02 plus First-Class postage. Paid through BRM account only. Used on automation-compatible cards and letter-size mail weighing up to 2 ounces if design is approved for BRMAS before distribution by USPS (S922.2). Requires the USPS to assign a unique ZIP+4 and barcode (no cost), for each rate category. Best suited when expected BRM return volume is approximately 500 pieces or more annually.

BRMAS
Cost per piece
First-Class postage + 02¢
Letter (1 oz.) 32¢ + 02¢ = 34¢
Card Rate 20¢ + 02¢ = 22¢

Other Post Offices A BRM permit holder can allow its affiliated agents to use that permit number to receive company business reply mail at any other post office. The original permit holder must supply the affiliate with a letter authorizing the use of the BRM permit and a copy of the USPS receipt showing the annual fee payment for that permit. That information, in turn, must be supplied to the affiliate's local post office, which will also assign a BRM ZIP+4 code(s) and barcode(s), as appropriate. The affiliate's mailpiece design should be approved by the USPS, using any of the above payment methods to receive the mail. Any fee or charge beyond the annual permit fee is paid by the affiliate's office.

Official Mail Authorized users of official mail may distribute BRM, subject to E060 and S922.

This guide is an overview only. For the specific DMM standards applicable to this category of mail, consult the DMM sections referenced above and the general sections within each DMM module.

DMM © USPS, February 13, 1997

Business Reply Mail (BRM)

Business Reply Mail Layout

Permit Holder Space: May contain information such as return address, logos, distribution codes, and form numbers.

Company Logo: A company logo is permitted in the address block if it does not extend below the top of the delivery address line and interfere with required endorsements (S922.4.8).

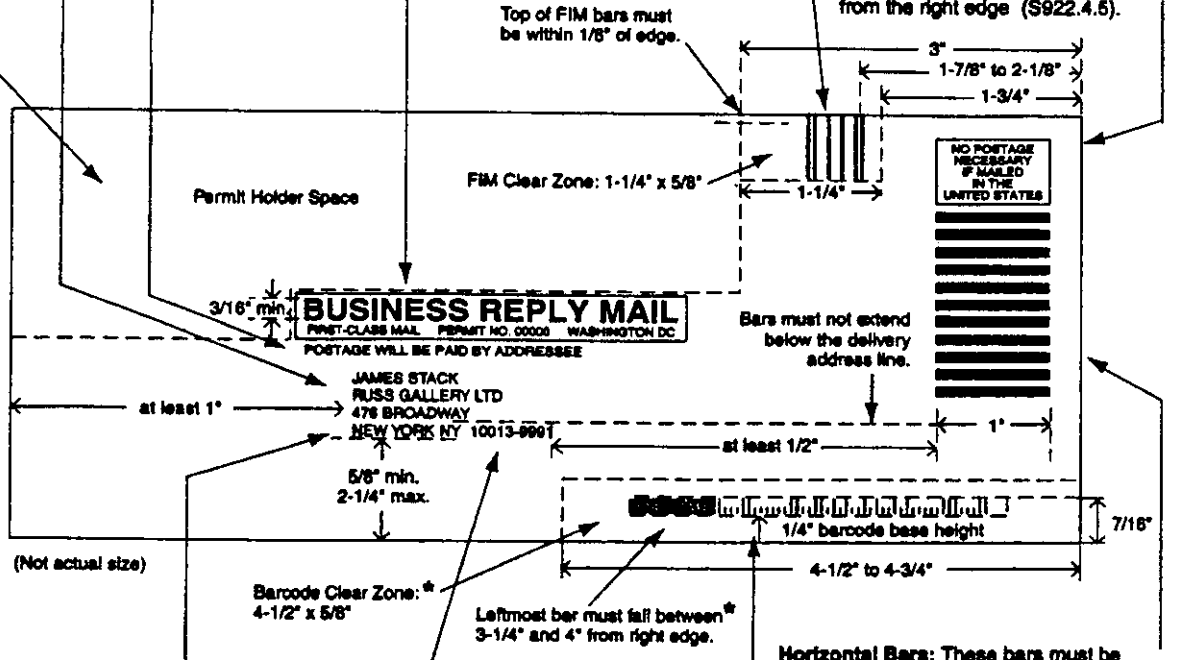
Postage Paid Line: Place the statement "POSTAGE WILL BE PAID BY ADDRESSEE" (in capital letters) under the business reply legend box (S922.4).

Business Reply Legend Box: The words "BUSINESS REPLY MAIL" are required above the address in capital (uppercase) letters. Immediately below, the words "FIRST-CLASS MAIL PERMIT NO." followed by the permit number and the name of the issuing post office (city and state) in capital letters (S922.4).

Facing Identification Mark (FIM): A FIM pattern (specifically FIM B without barcode or FIM C with barcode) is required on all BRM postcards and letter-size mailpieces.

FIM Location: A FIM clear zone must contain no printed matter other than the FIM pattern. FIM bars must be between 1/2 and 3/4 inch high and 0.03125 (1/32 inch) plus or minus 0.008 inch wide (S922.4.10).

Postage Endorsement Indicia: "NO POSTAGE NECESSARY IF MAILED IN THE UNITED STATES" must appear in the upper right corner of the mailpiece, must not extend more than 1-3/4 inches from the right edge (S922.4.5).



Address Format: The complete address, including the name of the permit holder (company or individual), must be printed on the mailpiece. Address block barcodes *not* permitted.

ZIP Code: A unique ZIP+4 code is assigned to each BRMAS BRM piece.

Before printing, submit proofs of BRM samples to your postal business center or post office for advice and approval. Take advantage of this service—it could save you money.

Horizontal Bars: These bars must be uniform in length, at least 1 inch long and 1/16 to 3/16 inch thick and evenly spaced. The bars may not extend below the delivery address line, which is located directly above the line containing the city, state, and ZIP Code (S922.4.9).

* Delivery point barcode *not permitted*, but mailer may provide expanded clear zone measuring 4-3/4" from right edge. When using expanded clear zone, the leftmost bar must be between 3-1/2" and 4-1/4" from right edge (S922.5).

POSTNET Barcode Location: The barcode must be located here (unless an address block barcode is used on a window envelope or printed address label). The barcode must be a ZIP+4 barcode. This area must be free of any printing other than the barcode. A free camera-ready barcode positive may be obtained from your local postal business center (S922.5).

Dimensions: Between 3-1/2 by 5 inches and 6-1/8 by 11-1/2 inches. To qualify for postcard rate, postcards must be between 3-1/2 by 5 inches and 4-1/4 by 6 inches. Larger postcard sizes are mailable; however, they are charged at regular First-Class Mail letter rate. Postcard thickness must be between 0.007 and 0.016 inch.

Additional standards apply to BRMAS pieces (S922.7).

A surcharge is assessed for nonstandard mailpieces.

Ink/Paper Colors and Type Styles: Not all colors of paper and/or ink and type styles are compatible with automated equipment. Contact your local postal business center or your postmaster for guidance.

All letter-size reply cards and envelopes (business reply, courtesy reply, and metered reply mail) provided as enclosures in automation First-Class, automation Regular Periodicals, and automation Regular and Enhanced Carrier Route Standard Mail must meet the standards in C810.8.

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Courtesy Reply Mail (CRM)

Overview Courtesy reply mail (CRM) consists of preaddressed postcards or envelopes provided by the mailer to customers both to expedite their responses and to provide more accurate delivery. It differs from business reply mail (BRM) in that no fees are required and the respondent is responsible for applying the correct postage before mailing back the card or envelope. CRM can come back faster because it is prepared with the correct address and barcode to take advantage of automated USPS processing.

The USPS provides *free of charge* the FIM (facing identification mark) and the appropriate barcode to print on CRM pieces. The guidelines on the reverse will help optimize the use of this format.

Market research shows that providing barcoded envelopes makes good business sense:

- Barcoded reply envelopes can be processed (delivered) faster by the post office.
- Customers save the time required to find an envelope, look up an address, and then write or type the return address.
- Customers with correctly addressed return envelopes do not make addressing errors that can delay your returns.
- Customers and donors return payments and pledges significantly faster when supplied with a return envelope.
- Providers of return envelopes get remittance faster for optimum cash flow.
- Customers who are "thanked" by the back copy on the envelope flap are more likely to repeat the performance of mailing remittances or donations.
- Automated processing of properly prepared barcoded reply mail provides accurate sorting and eliminates mail delay.
- Customers have positive attitudes about creditors, marketers, and fundraisers who show thoughtfulness in providing reply envelopes.
- Providers of reply mail envelopes get orders faster, reducing inventories and their investment in them.
- Providers of reply envelopes receive and fulfill orders sooner, which improves customer relations.
- Providers using barcoded reply envelopes see faster initial response, giving them an earlier projection of future activity.

Barcodes (C840) Barcodes may be placed either in the address block or in the lower right barcode clear zone. The correct barcode could be a delivery point barcode; a ZIP+4 barcode, if the address is assigned an individual (unique) ZIP+4 code; or, in some cases, a 5-digit barcode if the address is assigned a firm (unique) 5-digit ZIP Code.

All letter-size reply cards and envelopes (business reply, courtesy reply, and metered reply mail) provided as enclosures in automation First-Class, automation Periodicals, and automation Standard Mail (A) must meet the standards in C810.8.

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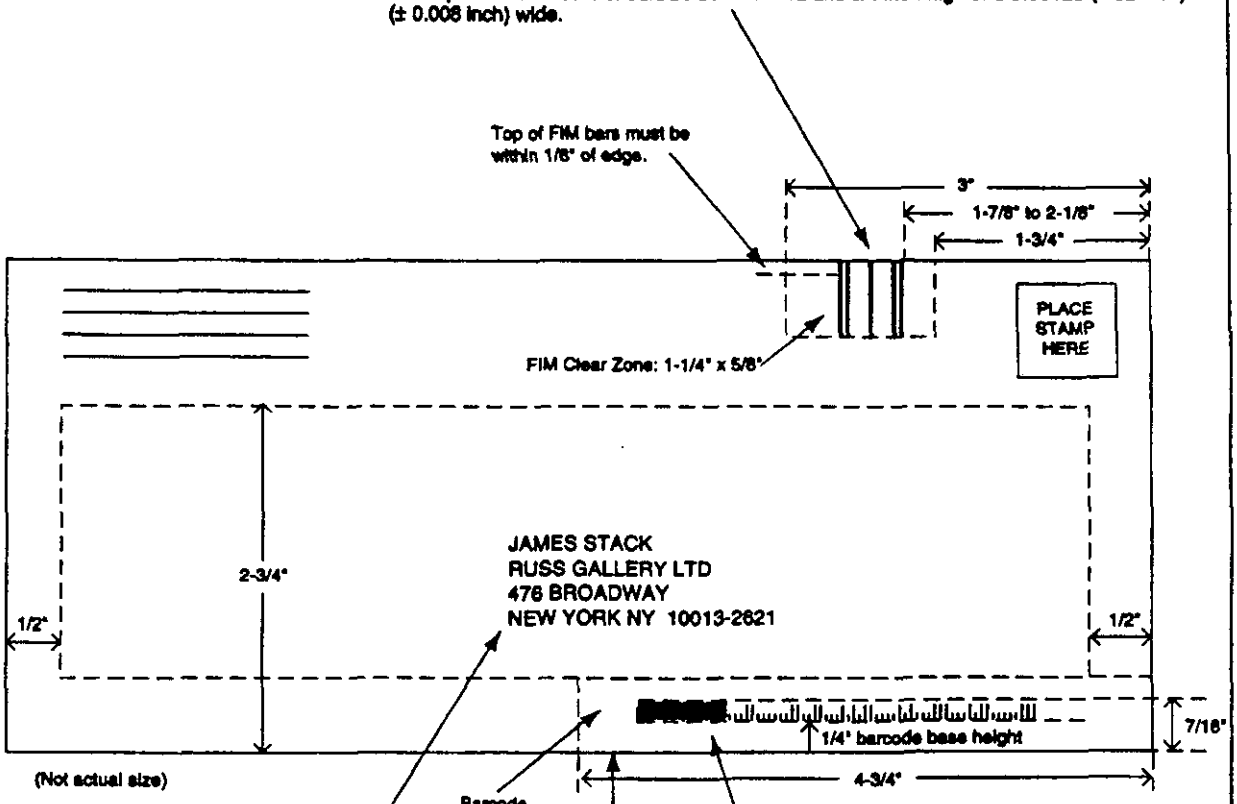
Courtesy Reply Mail (CRM)

Courtesy Reply Mail Layout Guidelines

Facing Identification Mark (FIM): Use FIM A on all courtesy reply mail postcards and letter-size mailpieces with the appropriate POSTNET barcode. This permits computerized cancellation equipment to align, postmark, and direct the mailpiece properly.

FIM Location: A FIM clear zone must contain no printed matter other than the appropriate FIM A pattern. FIM bars should be between 1/2 and 3/4 inch high and 0.03125 (1/32 inch) (± 0.008 inch) wide.



Address Format: The complete address, including the name of the sender (company or individual), must be printed directly on the mailpiece.

POSTNET Barcode Location: This area must be free of any printing other than the appropriate barcode (see reverse). A camera-ready FIM and barcode is available free of charge from your postal business center.

Dimensions: Between 3-1/2 by 5 inches and 6-1/8 by 11-1/2 inches. To qualify for postcard rate, postcards must be between 3-1/2 by 5 inches and 4-1/4 by 6 inches. Larger postcard sizes are mailable; however, they are charged at the regular First-Class Mail letter rate. Postcard thickness must be between 0.007 and 0.016 inch.

If letter mail is more than 4-1/4 inches high or more than 6 inches long, it should be at least 0.009 inch thick.

A surcharge is assessed for nonstandard mailpieces.

Ink/Paper Colors and Type Styles: Not all colors of paper and/or ink and type styles are compatible with automated equipment. Contact your postal business center or postmaster for guidance.

All letter-size reply cards and envelopes (business reply, courtesy reply, and metered reply mail) provided as enclosures in automation First-Class, automation Periodicals, and automation Standard Mail (A) must meet the standards in C810.6.

Meter Reply Mail (MRM)

Overview (P030)

Meter stamps may be used to prepay reply postage on Express Mail, Priority Mail (up to 5 pounds), and all First-Class postcards, letters, and flats up to a maximum of 11 ounces; single-piece Special Standard Mail and Library Mail rates.

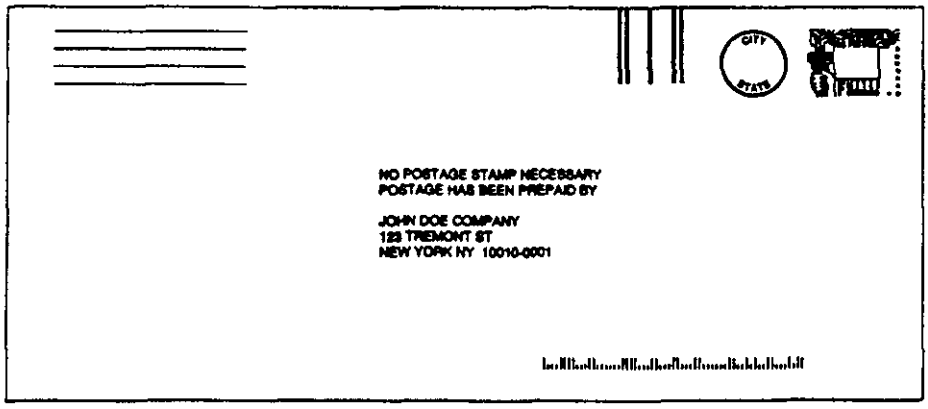
The USPS provides *free of charge* the FIM (facing identification mark) and appropriate barcode to print on meter reply mail pieces. The guidelines on the reverse will help optimize the use of this format.

The following conditions apply (P030.1):

- Meter stamp amount must be enough to pay postage in full, at next higher whole cent amount, or at another rate permitted by standard.
- Meter impressions on reply cards and envelopes must fully prepay the correct postage (P030.1).
- Meter stamps may be printed directly on mailpiece or address label that bears the delivery address of the meter license holder. A label must adhere so that, once applied, it cannot be removed in one piece.
- Postage on Priority Mail over 11 ounces, single-piece Special Standard Mail rate, or Library Mail may be paid only with meter-stamped address labels.
- Any photographic, mechanical, or electronic process (other than handwriting, typewriting, or handstamping) may be used to prepare the address side of reply mail. The address side must follow the style and content of the example below. The USPS will provide, free of charge, a FIM (facing identification mark) and the correct ZIP+4 code and delivery point barcode to be printed on the envelope.
- Reply mail prepaid with meter stamps is delivered only to the address of the license holder.
- Meter postmarks used to prepay reply postage must not show the date.

Barcodes (C840)

Barcodes may be placed either in the address block or in the lower right barcode clear zone. The correct barcode could be a delivery point barcode; a ZIP+4 barcode, if the address is assigned an individual (unique) ZIP+4 code; or, in some cases, a 5-digit barcode if the address is assigned a firm (unique) 5-digit ZIP Code.



Metered reply mail on which the mailer failed to imprint a meter stamp is treated as BRM. Such mail is delivered after payment of postage and the applicable fee for BRM not paid by an advance deposit account (P011.1).

All letter-size reply cards and envelopes (business reply, courtesy reply, and metered reply mail) provided as enclosures in automation First-Class, automation Regular Periodicals, and automation Regular and Enhanced Carrier Route Standard Mail must meet the standards in C810.6. For all other meter reply mail pieces, the use of FIMs and barcoding is encouraged.

This guide is an overview only. For the specific DMM standards applicable to this category of mail, consult the DMM sections referenced above and the general sections within each DMM module.

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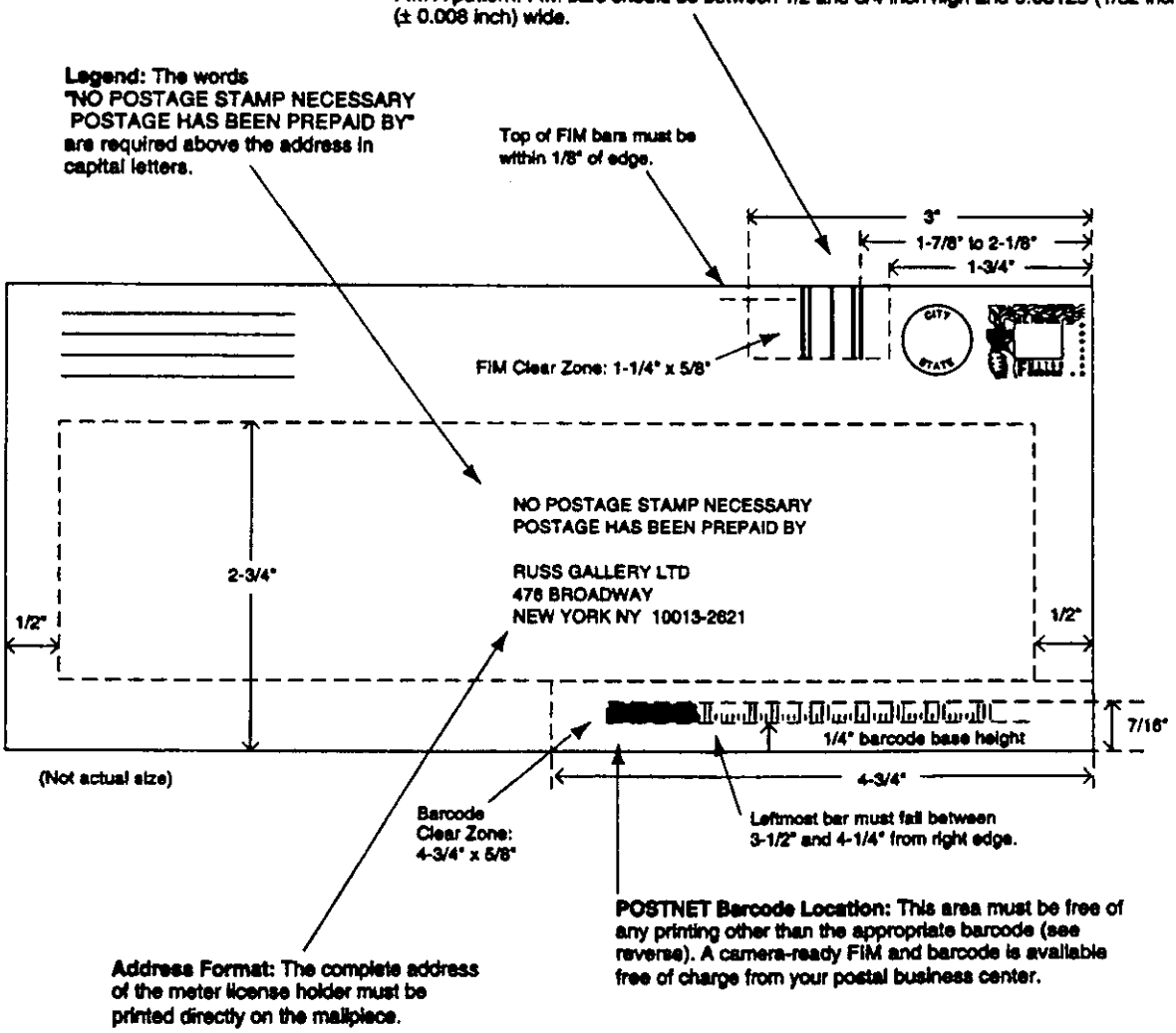
Meter Reply Mail Layout Guidelines

Facing Identification Mark (FIM): Use FIM A on all meter reply mail postcards and letter-size mailpieces with the appropriate POSTNET barcode. This permits computerized cancellation equipment to align, postmark, and direct the mailpiece properly.

FIM Location: A FIM clear zone must contain no printed matter other than the appropriate FIM A pattern. FIM bars should be between 1/2 and 3/4 inch high and 0.03125 (1/32 inch) (± 0.008 inch) wide.



Dimensions: Between 3-1/2 by 5 inches and 6-1/8 by 11-1/2 inches. To qualify for postcard rate, postcards must be between 3-1/2 by 5 inches and 4-1/4 by 6 inches. Larger postcard sizes are mailable; however, they are charged at the regular First-Class Mail letter rate. Postcard thickness must be between 0.007 and 0.016 inch.

If letter mail is more than 4-1/4 inches high or more than 6 inches long, it should be at least 0.009 inch thick.

A surcharge is assessed for nonstandard mailpieces.

Ink/Paper Colors and Type Styles: Not all colors of paper and/or ink and type styles are compatible with automated equipment. Contact your postal business center or postmaster for guidance.

All letter-size reply cards and envelopes (business reply, courtesy reply, and metered reply mail) provided as enclosures in automation First-Class, automation Periodicals, and automation Standard Mail (A) must meet the standards in C810.8.

Enclosed Reply Pieces

Checking compliance in automation rate mail

LETTER-size reply mail that's enclosed in automation-rate mailings must meet the preparation standards that apply.

Such pieces must be automation-compatible, bear the correct facing identification mark (FIM), and include the correct barcode for the address to which the reply piece is being returned.

The best way to implement this standard is to notify the originator when a reply piece that doesn't comply is found in the mails. In this way, the Postal Service can review all reply pieces—regardless of how they were originally distributed—and remind reply mail users of the benefits of barcoding and automation.

No mailing should be rejected, delayed, or assessed higher postage because it contains a noncomplying reply mail piece. And mail shouldn't be held just to look for or examine enclosed reply pieces.

But if an enclosed reply mail piece is found during another verification process, its compliance with preparation standards may be checked.

We encourage customers to work with their local mailpiece design analyst (MDA) when designing reply pieces. At that time, pieces can be examined to verify that they comply with the physical standards for automation, they bear the correct FIM, and they show the correct barcode.

When reply mail pieces are identified as not complying, the postal employee contacts the MDA to identify the piece, its originator (owner), and the type of deficiency (such as having no FIM or an incorrect or missing barcode). The MDA, in turn, contacts the customer with the information and helps the customer make sure that future reply mail pieces meet the standards.

Barcodes

If the address on courtesy reply mail and meter reply mail is assigned a unique ZIP+4, the barcode can be a delivery point barcode (62 bars). Otherwise, a ZIP+4 barcode (52 bars) can be used. If the address is assigned a firm (unique) 5-digit ZIP Code, a 5-digit barcode (32 bars) can be used.

Business reply mail barcodes can only use the ZIP+4 that was assigned to the returning address.

More Information

More detailed information on reply mail can be found in the October 1999 *Mailers Companion* in "Mail Design Tools on Web" (page 2). The tools themselves are at http://pe.usps.gov.

—Tom DeVaughan, Mail Preparation and Standards

MAILERS COMPANION
ADDRESS QUALITY
US POSTAL SERVICE
6060 PRIMACY PKWY STE 201
MEMPHIS TN 38188-0001

Address Service Requested

PRSRT STD
POSTAGE & FEES PAID
USPS
PERMIT NO. G-10

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES
OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-36. The Postal Service filed as USPS-LR-I-116, the USPS FY 98 Household Diary Study on January 12, 2000. Please provide a copy of the USPS FY 99 Household Diary Study.

RESPONSE: The FY 1999 Household Diary Study does not exist. The FY 1998 Household Diary Study (USPS-LR-I-116), issued in October 1999, is the most recent available.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES
OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-37. In Docket No. MC95-1, the Postal Service filed USPS Library Reference MCR-82, a Reply Mail Study, prepared December 4, 1992.

(a) Has the Postal Service updated this study or performed a similar study? If so, please provide copies of all documents related to such updates or new studies.

(b) The report indicated:

> **A small percentage of reply mailers contribute the majority of processing problems.** This means that most of those problems could be eliminated by working with the few mailers with the worst problems at each destinating GMF or nationally. However, this would require development of a formal mechanism to identify these mailers and their problems, and then to forward this information to the appropriate people for action. (Emphasis in the original)

Docket MC95-1, USPS library reference MCR-82 at 1.

Has a formal mechanism to identify these mailers and their problems been established? If so, please explain how the formal mechanism operates. If not, please explain why one has not been developed.

(c) USPS library reference MCR-82 at 1 also notes that

> **20% of analyzed reject mailpieces had problems to which the Postal Service contributed. For example:**
> - 13% of rejected mailpieces had FIM interference caused by the postage, mainly meter strips or wide stamps.
> - of rejected postcards, most of which met DMM thickness specifications, were too flimsy.
> - 16% of legitimately-placed address-block barcodes had interference caused by the cancellation mark.

Do these problems still cause mailpieces to be rejected? If so, what steps is the Postal Service taking to resolve the problems? If these reject problems no longer occur, please explain how the problems were resolved.

RESPONSE:

(a) No.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES
OF THE OFFICE OF THE CONSUMER ADVOCATE

RESPONSE to OCA/USPS-37 (continued)

(b) It is not exactly certain what was meant by a "formal" mechanism, but Business Reply Mail envelopes and cards intended for use by BRM recipients are subject to a pre-approval by USPS mailpiece design analysts. See also response to OCA/USPS-35.

Field mail processing personnel regularly analyze automation rejects to identify physical characteristics of specific reply cards and envelopes which may result in mail processing problems. Local USPS customer service representatives and mailpiece design analysts respond to reports from mail processing personnel and contact specific reply mail card and envelope producers to identify potential sources of problems and to achieve compliance with Domestic Mail Manual requirements, in order to eliminate or minimize mail processing problems.

USPS Headquarters Pricing and Product Design (Mail Preparation and Standards) also receives information from field customer service units and consults with mail processing personnel to determine if DMM requirements need to be changed or clarified and works with customers to improve compliance with DMM requirements.

(c) The problems reported in the December 1992 Reply Mail Study were based upon data collected in October/November of 1991 and relate to mailpiece design requirements in effect at the time. There have been changes in FIM clear zone, barcode clearance area, and OCR read area requirements since 1991. As indicated in response to part (a), no update of the 1992 study has been performed which would indicate the extent to which any of the phenomena still occur under more recent mailpiece design requirements.

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

OCA/USPS-38.

Has the Postal Service updated the 1980 Nonhousehold Mailstream Study? If so, please provide a copy. If not, has the Postal Service conducted any studies, reviews, estimates, approximations, research or analysis addressing the non-household mail-stream? If so, please provide copies of all related documents. If not, please explain why none has been conducted.

RESPONSE:

In the early 1990s, the Postal Service conducted some studies to collect information similar to some of that collected in the earlier Nonhousehold Mailstream study to which the question refers. The information, however, was merely entered into a database to be available for specific inquiries. Consequently, there is no "study," "report," or similar document for which a copy could be provided. Partially because of assurances given at the time the information was collected, the Postal Service considers much of the information collected to be proprietary, and, as such, unavailable for public disclosure.

Not only is this information many years old, but the collection of representative data poses significant statistical and methodological challenges. Even if the data were more recent, their representativeness would be open to question. The Postal Service does publish some estimates on nonhousehold mail in the Household Diary Study.

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

OCA/USPS-39.

For FY 97, FY 98 and FY 99, please provide the volume of single-piece First-Class Mail that was FIM tagged. If you are unable to provide the volume, please explain.

RESPONSE:

The volume of single-piece First-Class Mail that was FIM tagged for Fiscal Years FY 97 through FY 99 was approximately 8,293,332,000 pieces, 8,699,966,000 pieces, and 8,965,729,000 pieces, respectively.

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

OCA/USPS-40.

What proportion of courtesy reply envelopes processed by the Postal Service in FY 97, FY 98 and FY 99, had a FIM C? What proportion of courtesy reply envelopes processed by the Postal Service in FY 97, FY 98 and FY 99 had a FIM D? If you are unable to provide the information, please explain.

RESPONSE:

All Courtesy Reply Mail (CRM) envelopes are required to have a FIM A marking as per Domestic Mail Manual (DMM) 54 sections C810.8.1a and C100.5.2a. The Postal Service does not collect data regarding the percentage of CRM envelopes that contain incorrect FIM markings. When problems are discovered with specific mail pieces, the Postal Service works with the mailer to correct the problem.

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

OCA/USPS-41.

For FY 97, FY 98 and FY 99, for First-, Periodicals and Standard A class mail, please provide separate presort, nonpresort CEM and nonpresort non-CEM barcode reader reject rates caused by each of the following:

shifts in the window envelope's address insert,
mail pieces are too flimsy,
pieces have open edges,
pieces have "other physical problems" (please specify each problem), and
pieces have a non-delivery point sequence address.

RESPONSE:

(a-e) Barcode reader acceptance rates can be found in USPS LR-I-107. These acceptance rates are calculated by machine type (i.e., shape) and, in some cases, by operation number. The reject rates would be equal to 1 minus the acceptance rates. The acceptance rates are not disaggregated by class, by mail type, or by specific mail piece characteristic.

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

OCA/USPS-42.

Please refer to Docket No. R97-1, OCA/USPS-103. For each of the following years: FY97, FY 98 and FY99, please provide similar ODIS single-piece volume data.

RESPONSE: Please see the attached tables.

Attachment to OCA/USPS-42

FY97 First-Class Single Piece Volumes

ODIS Volumes:

Indicia/FIM Status	Letters	Flats	Parcels	Total L,F & P	Cards	Total Single-Piece
Govt FIM	30,941,679	3,013,379	306,645	34,261,703	112,350,079	146,611,782
Govt No FIM	587,909,589	134,115,990	6,598,769	728,624,347	63,935,522	792,565,766
Metered FIM	470,193,219	12,808,334	2,258,560	485,260,112	11,192,549	496,452,661
Metered No FIM	19,285,411,187	3,784,379,022	289,243,073	23,359,210,193	911,025,161	24,270,235,354
Permit FIM	733,436,318	35,051,904	12,307,087	780,795,308	241,146,955	1,021,942,263
Permit No FIM	2,691,466,089	412,237,278	102,130,538	3,206,010,817	583,522,204	3,789,533,020
Stamped FIM	7,184,513,934	6,474,931	1,055,567	7,192,044,432	158,329,166	7,350,373,598
Stamped No FIM	19,006,523,286	627,685,008	78,324,257	19,712,526,654	1,389,993,149	21,102,519,803
Total	49,990,566,314	5,015,942,756	492,224,496	55,498,733,566	3,471,494,785	58,970,228,351
Total FIM	8,419,085,149	57,348,547	15,927,859	8,492,361,555	523,012,852	9,015,374,407
Total No FIM	41,571,481,165	4,958,594,209	476,296,637	47,006,372,011	2,948,481,932	49,959,518,489
RPW-Adjusted Volumes:						
RPW (in 000s)				54,240,238	3,003,755	
RPW-Adjusted Shape	48,856,975	4,902,201	481,063	54,240,238	3,003,755	57,243,993
RPW-Adjusted FIM	8,228,173	56,048	15,567	8,299,788	452,544	8,751,467
RPW-Adjusted No FIM	40,628,802	4,846,153	465,496	45,940,450	2,551,211	48,497,054

Note: RPW Adjusted Volumes are based on applying ODIS volume percentages to RPW volumes. For example, the RPW-Adjusted Volume 48,856,975, is determined by multiplying the ODIS percentage of letters (49,990,566,314/55,498,733,566) times the RPW Single-Piece volume of 54,240,238.

Attachment to OCA/USPS-42

FY98 First-Class Single Piece Volumes

ODIS Volumes:

Indicia/FIM Status	Letters	Flats	Parcels	Total L,F & P	Cards	Total Single-Piece
Govt FIM	23,455,169	2,649,110	187,548	26,291,826	118,078,783	144,370,609
Govt No FIM	577,845,809	115,335,900	5,450,601	698,626,449	77,416,124	776,042,573
Metered FIM	490,776,846	13,274,852	3,516,517	507,568,215	6,781,017	514,355,093
Metered No FIM	18,787,203,524	3,752,352,305	301,435,845	22,840,991,673	931,572,263	23,772,563,936
Permit FIM	670,136,800	35,247,223	11,627,950	717,006,112	231,410,268	948,416,380
Permit No FIM	2,565,691,892	409,568,745	121,788,708	3,097,049,346	602,174,247	3,699,223,592
Stamped FIM	7,689,034,574	5,163,419	4,049,856	7,698,247,849	91,335,670	7,789,583,519
Stamped No FIM	18,820,792,123	626,039,676	68,829,961	19,515,661,760	1,448,400,640	20,964,062,400
Total	49,624,936,737	4,959,625,368	516,875,264	55,101,443,230	3,507,174,872	58,608,618,102
Total FIM	8,873,403,389	56,334,604	19,376,009	8,949,114,002	447,605,738	9,396,719,740
Total No FIM	40,751,533,348	4,903,290,764	497,499,255	46,152,329,227	3,059,569,134	49,211,898,362
RPW-Adjusted Volumes:						
RPW (in 000s)				54,273,024	2,971,751	
RPW-Adjusted Shape	48,878,854	4,885,060	509,104	54,273,024	2,971,751	57,244,775
RPW-Adjusted FIM	8,739,997	55,488	19,085	8,814,569	379,272	9,178,055
RPW-Adjusted No FIM	40,138,857	4,829,573	490,020	45,458,455	2,592,479	48,066,720

Note: RPW Adjusted Volumes are based on applying ODIS volume percentages to RPW volumes. For example, the RPW-Adjusted Volume 48,878,854 is determined by multiplying the ODIS percentage of letters (49,624,936,737/55,101,443,230) times the RPW Single-Piece volume of 54,273,024.

Attachment to OCA/USPS-42

FY99 First-Class Single Piece Volumes

ODIS Volumes:

Indicia/FIM Status	Letters	Flats	Parcels	Total L,F & P	Cards	Total Single-Piece
Govt FIM	21,655,879	2,015,176	389,097	24,060,152	112,199,404	136,259,556
Govt No FIM	529,047,486	122,002,334	5,940,993	662,139,093	85,572,372	747,711,464
Metered FIM	476,214,459	14,634,705	3,385,727	494,234,891	7,061,826	501,296,717
Metered No FIM	18,130,105,437	3,826,458,470	318,711,351	22,275,269,451	897,119,025	23,172,388,476
Permit FIM	806,703,263	35,169,751	15,325,788	857,198,802	221,117,615	1,078,316,417
Permit No FIM	2,406,195,204	427,687,636	140,609,315	2,974,492,156	561,862,327	3,536,354,483
Stamped FIM	7,858,453,241	6,916,640	1,451,856	7,866,821,736	96,258,029	7,963,079,766
Stamped No FIM	18,716,440,243	665,983,606	69,874,908	19,452,298,758	1,486,520,150	20,938,818,908
Total	48,949,969,299	5,100,862,511	555,683,229	54,606,515,039	3,467,710,748	58,074,225,787
Total FIM	9,163,032,649	58,730,465	20,546,661	9,242,315,582	436,642,681	9,678,952,456
Total No FIM	39,789,555,798	5,042,132,046	535,136,568	45,364,205,265	3,031,068,067	48,395,273,331
RPW-Adjusted Volumes:						
RPW (in 000s)				53,783,619	2,850,770	
RPW-Adjusted Shape	48,212,315	5,023,995	547,309	53,783,619	2,850,770	56,634,389
RPW-Adjusted FIM	9,024,950	57,845	20,237	9,103,038	358,980	9,438,982
RPW-Adjusted No FIM	39,189,945	4,966,149	527,072	44,680,587	2,491,810	47,195,407

Note: RPW Adjusted Volumes are based on applying ODIS volume percentages to RPW volumes. For example, the RPW-Adjusted Volume 48,212,315 is determined by multiplying the ODIS percentage of letters (48,949,969,299/54,606,515,039) times the RPW Single-Piece volume of 53,783,619.

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

OCA/USPS-43

For FY 97, FY 98 and FY 99, please update the information provided in Docket No. R97-1, in response to OCA/USPS-60 regarding advance and non-advance deposits.

RESPONSE:

The following table updates the one provided in Docket No. R97-1, in response to OCA/USPS-60. Note that Advance Deposit First-Class – Prebarcoded volume is defined, both then and in the below table, as BRAMAS and QBRM service volume (QBRM service began January 10, 1999).

	FY 1997	FY 1998	FY 1999
Advance Deposit 1/			
(a) First-Class – Prebarcoded	515,430	440,286	449,176
(b) First-Class – Other	411,629	381,067	398,744
(c) Priority	3,838	3,444	3,592
Non-Advance Deposit			
(d) First-Class	54,624	41,700	72,742
(e) Priority	473	436	779
(f) Total BRM	985,994	866,933	925,034
(g) Total First-Class BRM	981,683	863,053	920,663
Prebarcoded BRM/Total BRM (a/f)	52.28%	50.79%	48.56%
Prebarcoded/Total First-Class BRM (a/g)	52.50%	51.01%	48.79%

1/ FY 98 and FY 99 include First-Class and Priority nonletter experimental reverse manifest/weight averaging method activity.

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

OCA/USPS-44

For FY 97, FY 98 and FY 99, please update the Origin-Destination Information System data for the percentage of mail by shape for each class/rate category, provided in Docket No. R97-1, in response to OCA/USPS-61.

RESPONSE:

The attached tables provide estimates of these percentages using the Origin-Destination Information System. Note that Other Fourth is now broken into Bound Printed Matter, Special Standard Mail, and Library Mail.

ORIGIN-DESTINATION INFORMATION SYSTEM
PERCENTAGE OF MAIL FOR EACH CLASS/RATE CATEGORY
POSTAL FISCAL YEAR 1997

RATE CATEGORY	LETTERS	CARDS	IPPS	FLATS	PARCELS	TOTAL
1ST CL SINGLE PIECE	84.77	5.89	0.83	8.51	0.00	100.00
1ST CL CARRT PRESORT	90.80	8.42	0.15	0.64	0.00	100.00
1ST CL OTHER PRESORT	93.85	4.59	0.07	1.48	0.00	100.00
PRIORITY	0.66	0.09	15.71	33.31	50.21	100.00
STANDARD B PARCEL POST	0.00	0.00	10.26	2.24	87.50	100.00
OTHER STANDARD B	0.00	0.00	17.55	20.97	61.48	100.00
STANDARD A SGL PIECE	46.83	5.62	14.08	33.47	0.00	100.00
STAND A BLK CRRT PRESORT	41.71	2.96	0.24	55.09	0.00	100.00
STAND A BLK OTHR PRESORT	61.02	2.17	2.31	34.50	0.00	100.00
STAND A NPR CRRT PRESORT	67.62	3.94	0.29	28.15	0.00	100.00
STAND A NPR OTHR PRESORT	81.56	2.22	0.53	15.69	0.00	100.00

OCA/USPS-44
Attachment 1 of 3

SOURCES: ODIS UDS FILES
PRODUCED BY REVENUE, VOLUME & PERFORMANCE MEASUREMENT

PERCENTAGE OF MAIL FOR EACH CLASS/RATE CATEGORY
POSTAL FISCAL YEAR 1998

RATE CATEGORY	LETTERS	CARDS	IPPS	FLATS	PARCELS	TOTAL
1ST CL SINGLE PIECE	84.67	5.98	0.88	8.46	0.00	100.00
1ST CL CARRT PRESORT	88.26	11.21	0.13	0.39	0.00	100.00
1ST CL OTHER PRESORT	93.52	4.95	0.08	1.45	0.00	100.00
PRIORITY	0.90	0.08	16.61	33.90	48.50	100.00
STANDARD B PARCEL POST	0.00	0.00	11.89	1.63	86.47	100.00
OTHER STANDARD B	0.00	0.00	17.17	25.99	56.84	100.00
STANDARD A SGL PIECE	39.30	7.95	12.54	40.21	0.00	100.00
STAND A BLK CRRT PRESORT	40.83	3.35	0.23	55.60	0.00	100.00
STAND A BLK OTHR PRESORT	61.21	2.42	2.23	34.15	0.00	100.00
STAND A NPR CRRT PRESORT	63.22	2.88	0.32	33.58	0.00	100.00
STAND A NPR OTHR PRESORT	81.99	2.41	0.55	15.05	0.00	100.00

OCA/USPS-44
Attachment 2 of 3

SOURCES: ODIS UDS FILES
PRODUCED BY REVENUE, VOLUME & PERFORMANCE MEASUREMENT

PERCENTAGE OF MAIL FOR EACH CLASS/RATE CATEGORY
POSTAL FISCAL YEAR 1999

RATE CATEGORY	LETTERS	CARDS	IPPS	FLATS	PARCELS	TOTAL
1ST CL SINGLE PIECE	84.29	5.97	0.90	8.78	0.06	100.00
1ST CL CARRT PRESORT	89.00	10.39	0.16	0.44	0.01	100.00
1ST CL OTHER PRESORT	93.52	4.86	0.08	1.55	0.00	100.00
PRIORITY	1.59	0.12	17.56	34.31	46.42	100.00
STANDARD B PARCEL POST	0.00	0.00	14.04	1.35	84.60	100.00
OTHER STANDARD B	0.00	0.00	17.21	31.88	50.91	100.00
STANDARD A SGL PIECE	42.42	4.00	9.19	43.70	0.69	100.00
STAND A BLK CRRT PRESORT	35.54	3.23	0.18	61.03	0.02	100.00
STAND A BLK OTHR PRESORT	62.03	2.73	2.07	33.09	0.08	100.00
STAND A NPR CRRT PRESORT	56.09	3.66	0.43	39.78	0.03	100.00
STAND A NPR OTHR PRESORT	80.73	2.57	0.56	16.13	0.01	100.00

OCA/USPS-44
Attachment 3 of 3

SOURCES: ODIS UDS FILES
PRODUCED BY REVENUE, VOLUME & PERFORMANCE MEASUREMENT

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

OCA/USPS-45.

For each of the following years: FY 97, FY 98, and FY 99, please provide a copy of Table 194 from the Household Diary Study, for both holiday and nonholiday mail.

RESPONSE:

The requested tables from FY 97 and FY 98 are attached. Information from FY 99 is not yet available, and is not anticipated to become available for quite some time.

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

ABLE 194
IRST-CLASS MAIL SENT
. 9 - DID MAILING ENVELOPE/CARD PROVIDED HAVE BAR CODES PRINTED ACROSS THE FRONT
ONLY ANSWERED IF A MAILING ENVELOPE/CARD WAS PROVIDED)
BASED TO HOLIDAY MAIL ONLY)
BASED TO FIRST-CLASS MAIL SENT ONLY)

		AGE OF HEAD OF HOUSEHOLD										EDUCATION OF HEAD OF HOUSEHOLD							
	TOTAL	18-24	18-21	22-24	25-34	35-44	45-54	55-64	65-69	70 +	NA/ REF	8TH GRDE OR LESS	H.S. IN-COM-PLETE	H.S. COM-PLETE	SOME COL-LEGE	PROF TECH SCHL	COL-LEGE GRAD	POST GRAD WORK	DK/ NA
NWEIGHTED OUSEHOLDS	5300	194	63	131	977	1243	977	686	385	809	29	193	458	1740	1059	289	998	529	34
NWEIGHTED PIECES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EIGHTED OUSEHOLDS	1010	38	14	24	175	239	189	132	73	160	4	42	94	337	200	49	186	96	6
	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	100.0	100.0
EIGHTED PIECES BASE)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
O	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ON'T KNOW/NO NSWER	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EAN	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TD DEV	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TD ERR	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EDIAN	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
igma	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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OCA/USPS-45
1 of 6

CHILTON RESEARCH SERVICES

U.S.P.S. HOUSEHOLD DIARY STUDY - DIARY - FISCAL YEAR 1997 WITH ADJUSTMENT FACTORS - (SEPT. 15, 1996 - SEPT. 14, 1997)

ABLE 194
IRST-CLASS MAIL SENT
9 - DID MAILING ENVELOPE/CARD PROVIDED HAVE BAR CODES PRINTED ACROSS THE FRONT
NLY ANSWERED IF A MAILING ENVELOPE/CARD WAS PROVIDED)
ASED TO NON-HOLIDAY MAIL ONLY)
ASED TO FIRST-CLASS MAIL SENT ONLY)

		AGE OF HEAD OF HOUSEHOLD										EDUCATION OF HEAD OF HOUSEHOLD							
	TOTAL	18-24	18-21	22-24	25-34	35-44	45-54	55-64	65-69	70 +	NA/REF	8TH GRDE OR LESS	H.S. IN-COM-PLETE	H.S. COM-PLETE	SOME COL-LEGE	PROF TECH SCHL	COL-LEGE GRAD	POST GRAD WORK	DK/NA
WEIGHTED USEHOLDS	5300	194	63	131	977	1243	977	686	385	809	29	193	458	1740	1059	289	998	529	34
WEIGHTED PIECES	5084	108	20	88	785	1347	999	755	413	642	35	89	174	1317	1072	283	1312	805	32
IGHTED USEHOLDS	1010	38	14	24	175	239	189	132	73	160	4	42	94	337	200	49	186	96	6
	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	100.0	100.0
IGHTED PIECES ASE)	1327	27	6	21	186	358	269	251	83	146	7	19	64	346	292	62	326	211	6
	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	100.0	100.0
S	887	19	4	14	134	248	178	160	57	87	4	10	29	227	204	45	218	150	4
	100.0	2.1	0.5	1.6	15.1	27.9	20.1	18.1	6.4	9.8	0.4	1.2	3.3	25.5	23.0	5.1	24.6	16.9	0.5
	66.9	68.9	70.8	68.3	71.9	69.3	66.3	63.9	68.4	59.8	58.6	54.3	45.0	65.5	69.7	72.7	66.9	71.2	68.5
	66.9	1.4	0.3	1.1	10.1	18.7	13.4	12.1	4.3	6.6	0.3	0.8	2.2	17.1	15.3	3.4	16.4	11.3	0.3
	389	8	2	6	44	98	81	84	23	49	2	8	31	106	82	18	90	56	1
	100.0	2.1	0.5	1.7	11.3	25.1	20.7	21.7	5.9	12.5	0.6	2.0	8.0	27.2	21.0	3.8	23.2	14.5	0.3
	29.3	30.1	29.2	30.4	23.4	27.3	29.9	33.7	28.0	33.2	36.3	40.8	48.5	30.5	28.0	24.1	27.6	26.6	20.0
	29.3	0.6	0.1	0.5	3.3	7.4	6.1	6.4	1.7	3.7	0.2	0.6	2.3	8.0	6.2	1.1	6.8	4.2	0.1
N'T KNOW/NO SWER	51	0	-	0	9	12	10	6	3	10	0	1	4	14	7	2	18	5	1
	100.0	0.5		0.5	17.0	23.8	20.1	11.9	5.9	20.0	0.7	1.9	8.2	27.4	12.9	3.9	35.1	9.1	1.4
	3.8	1.0		1.3	4.7	3.4	3.8	2.4	3.6	7.0	5.1	5.1	6.6	4.0	2.3	3.2	5.5	2.2	11.5
	3.8	*		*	0.7	0.9	0.8	0.5	0.2	0.8	*	0.1	0.3	1.1	0.5	0.2	1.4	0.4	0.1
AN	1.31	0.73	0.67	0.88	1.06	1.49	1.42	1.90	1.13	0.91	1.52	0.45	0.68	1.03	1.46	1.25	1.75	2.21	1.11
D DEV	2.79	1.76	1.20	2.00	2.32	2.94	2.78	3.82	2.56	2.19	2.90	1.32	1.73	2.34	2.89	2.44	3.19	4.09	2.09
D ERR	0.05	0.16	0.19	0.23	0.11	0.11	0.13	0.21	0.18	0.10	0.66	0.14	0.11	0.08	0.13	0.20	0.14	0.26	0.46
DIAN	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

te: Percentage less than 0.05 printed as *.

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CHILTON RESEARCH SERVICES

ABLE 194 (continued)
IRST-CLASS MAIL SENT
. 9 - DID MAILING ENVELOPE/CARD PROVIDED HAVE BAR CODES PRINTED ACROSS THE FRONT
ONLY ANSWERED IF A MAILING ENVELOPE/CARD WAS PROVIDED)
BASED TO NON-HOLIDAY MAIL ONLY)
BASED TO FIRST-CLASS MAIL SENT ONLY)

		AGE OF HEAD OF HOUSEHOLD									EDUCATION OF HEAD OF HOUSEHOLD							
	TOTAL	18-24	18-21	22-24	25-34	35-44	45-54	55-64	65-69	70 +	NA/REF	8TH GRDE OR LESS	H.S. IN-COM-PLETE	H.S. COM-PLETE	SOME COL-LEGE	PROF TECH SCHL	COL-LEGE GRAD	POST GRAD WORK	DK/NA
igma	1327	27	6	20	187	358	269	250	83	146	6	19	64	367	293	62	326	211	6
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.1	100.1	100.0	100.0	100.0	100.0	100.0	100.0

lote: Percentage less than 0.05 printed as *.

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TABLE 194
FIRST-CLASS MAIL SENT
Q. 9 - DID MAILING ENVELOPE/CARD PROVIDED HAVE BAR CODES PRINTED ACROSS THE FRONT
(ONLY ANSWERED IF A MAILING ENVELOPE/CARD WAS PROVIDED)
(BASED TO HOLIDAY MAIL ONLY)
(BASED TO FIRST-CLASS MAIL SENT ONLY)

		AGE OF HEAD OF HOUSEHOLD										EDUCATION OF HEAD OF HOUSEHOLD							
	TOTAL	18-24	18-21	22-24	25-34	35-44	45-54	55-64	65-69	70 +	NA/REF	8TH GRDE OR LESS	H.S. IN-COM-PLETE	H.S. COM-PLETE	SOME COL-LEGE	PROF TECH SCHL	COL-LEGE GRAD	POST GRAD WORK	DK/NA
UNWEIGHTED HOUSEHOLDS	5300	226	78	148	880	1219	1004	708	435	807	21	219	468	1867	1014	241	1009	460	22
UNWEIGHTED PIECES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
WEIGHTED HOUSEHOLDS	1018	44	13	31	171	241	189	130	88	151	5	44	96	342	183	46	205	96	5
	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	100.0	100.0
WEIGHTED PIECES (BASE)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
YES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NO	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DON'T KNOW/NO ANSWER	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
MEAN	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
STD DEV	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
STD ERR	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
MEDIAN	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sigma	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

TABLE 194
FIRST-CLASS MAIL SENT
Q. 9 - DID MAILING ENVELOPE/CARD PROVIDED HAVE BAR CODES PRINTED ACROSS THE FRONT
(ONLY ANSWERED IF A MAILING ENVELOPE/CARD WAS PROVIDED)
(BASED TO NON-HOLIDAY MAIL ONLY)
(BASED TO FIRST-CLASS MAIL SENT ONLY)

		AGE OF HEAD OF HOUSEHOLD											EDUCATION OF HEAD OF HOUSEHOLD							
	TOTAL	18-24	18-21	22-24	25-34	35-44	45-54	55-64	65-69	70 +	NA/REF	8TH GRDE OR LESS	N.S. IN-COM-PLETE	H.S. COM-PLETE	SOME COL-LEGE	PROF TECH SCHL	COL-LEGE GRAD	POST GRAD WORK	DK/NA
UNWEIGHTED HOUSEHOLDS	5300	226	78	148	880	1219	1004	708	435	807	21	219	468	1867	1014	241	1009	460	22
UNWEIGHTED PIECES	4421	131	17	114	586	1015	930	739	401	601	18	79	189	1298	858	271	1080	624	22
WEIGHTED HOUSEHOLDS	1018 100.0	44 100.0	13 100.0	31 100.0	171 100.0	241 100.0	189 100.0	130 100.0	88 100.0	151 100.0	5 100.0	44 100.0	96 100.0	342 100.0	183 100.0	46 100.0	205 100.0	96 100.0	5 100.0
WEIGHTED PIECES (BASE)	1205 100.0	54 100.0	4 100.0	49 100.0	142 100.0	288 100.0	271 100.0	209 100.0	96 100.0	139 100.0	6 100.0	19 100.0	50 100.0	342 100.0	194 100.0	88 100.0	327 100.0	181 100.0	4 100.0
YES	761 100.0 63.2 63.2	31 4.1 57.7 2.6	2 0.2 37.1 0.1	29 3.8 59.5 2.4	75 9.9 53.2 6.3	181 23.7 62.8 15.0	188 24.7 69.6 15.6	139 18.2 66.3 11.5	56 7.4 58.6 4.7	89 11.6 63.6 7.3	2 0.3 39.8 0.2	11 1.4 57.3 0.9	28 3.7 56.9 2.4	215 28.2 62.8 17.8	122 16.0 62.9 10.1	56 7.3 63.5 4.6	210 27.6 64.3 17.5	117 15.4 64.7 9.7	2 0.3 52.0 0.2
NO	395 100.0 32.8 32.8	22 5.7 41.8 1.9	3 0.7 62.9 0.2	20 5.0 39.9 1.6	61 15.3 42.6 5.0	96 24.3 33.4 8.0	72 18.2 26.5 6.0	63 15.9 30.0 5.2	33 8.5 34.8 2.8	44 11.1 31.6 3.6	4 0.9 60.2 0.3	8 2.1 42.7 0.7	21 5.2 41.1 1.7	120 30.5 35.1 10.0	64 16.2 33.1 5.3	29 7.3 32.6 2.4	99 25.2 30.5 8.2	52 13.3 29.0 4.3	1 0.3 31.7 0.1
DON'T KNOW/NO ANSWER	49 100.0 4.1 4.1	0 0.5 0.5 *	-	0 0.5 0.5 *	6 12.2 4.2 0.5	11 22.6 3.8 0.9	11 21.6 3.9 0.9	8 16.2 3.8 0.7	6 13.0 6.6 0.5	7 13.9 4.9 0.6	-	-	1 2.0 1.9 0.1	7 14.5 2.1 0.6	8 16.0 4.1 0.7	3 7.1 4.0 0.3	17 35.7 5.3 1.4	11 23.3 6.3 0.9	1 1.4 16.3 0.1
MEAN	1.18	1.21	0.34	1.58	0.83	1.19	1.43	1.62	1.10	0.93	1.14	0.43	0.52	1.00	1.06	1.89	1.60	1.88	0.88
STD DEV	3.11	6.77	0.97	8.05	2.14	2.83	2.87	4.13	2.34	2.26	2.13	1.28	1.44	3.36	2.41	5.23	3.06	3.60	1.69
STD ERR	0.06	0.62	0.14	0.92	0.10	0.11	0.13	0.23	0.16	0.12	0.55	0.12	0.10	0.11	0.10	0.48	0.14	0.24	0.45
MEDIAN	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

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Note: Percentage less than 0.05 printed as *.

9906

TABLE 194 (continued)
FIRST-CLASS MAIL SENT
Q. 9 - *DID MAILING ENVELOPE/CARD PROVIDED HAVE BAR CODES PRINTED ACROSS THE FRONT*
(ONLY ANSWERED IF A MAILING ENVELOPE/CARD WAS PROVIDED)
(BASED TO NON-HOLIDAY MAIL ONLY)
(BASED TO FIRST-CLASS MAIL SENT ONLY)

		AGE OF HEAD OF HOUSEHOLD										EDUCATION OF HEAD OF HOUSEHOLD							
	TOTAL	18-24	18-21	22-24	25-34	35-44	45-54	55-64	65-69	70 +	NA/ REF	8TH GRDE OR LESS	H.S. IN-COM-PLETE	H.S. COM-PLETE	SOME COL-LEGE	PROF TECH SCHL	COL-LEGE GRAD	POST GRAD WORK	DK/ NA
Sigma	1205	53	5	49	142	288	271	210	95	140	6	19	50	342	194	88	326	180	4
	100.1	100.0	100.0	99.9	100.0	100.0	100.0	100.1	100.0	100.1	100.0	100.0	99.9	100.0	100.1	100.1	99.9	100.0	100.0

OCA/USPS-45
6&6

Note: Percentage less than 0.05 printed as *.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES
OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-47. For each of the following stamps please provide (1) the number of stamps printed and distributed for sale; (2) the cost of printing the stamps; (3) the cost of distributing the stamps; and (4) the number of stamps sold:
(a) F rate make-up stamp,
(b) G rate make-up stamp, and
(c) H rate make-up stamp.

RESPONSE:

(a) The Postal Service has not located responsive data on the F rate make-up stamp (associated with the February 1991 rate change). Should the Postal Service locate responsive data, it will amend this response.

(b) (1) 2.184 billion
(2) $2.6 million
(3) The requested data are not available.
(4) The requested data are not available. The Postal Service distributed the make-up stamps for use, but did not keep records distinguishing between how many were sold to the public and how many were destroyed as unneeded inventory.

(c) (1) 2.5 billion
(2) $5.0 million
(3) Please see response to (b)(3) above.
(4) The Postal Service estimates that approximately 80 percent of the H-rate make-up stamps that were manufactured were sold.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES
OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-48. Does the Postal Service have any studies, reviews, estimates, approximations, or other data or information about the number or value of make-up stamps (F rate, G rate, and/or H rate) purchased by the public that were actually used for postage? If not, why not? Provide all related documents.

RESPONSE: No. While the Postal Service estimates postage in the hands of the public in the aggregate, it does not distinguish among denominations of postage nor isolate the portion of such postage associated with a rate change. Also, please see response to OCA/USPS-47(b)(4) and (c)(4).

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES
OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-49. Does the Postal Service have any studies, reviews, estimates, approximations, or other data or information about the number or value of stamps left unused in the hands of the public as a result of the change in the First-Class Mail rates in January 1999 (i.e., 32 cent stamps, 23 cent stamps, etc.)? If not, why not? Provide all related documents.

RESPONSE: Please see response to OCA/USPS-48.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES
OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-50. Please identify all USPS incremental costs associated with the change in the single piece First Class Mail rates in January 1999, such as advertising, public information, stamp production and distribution, window time, overtime, customer call center expense, collection of postage due, etc. Provide all related documents.

RESPONSE: In general, implementation of the last rate case was not separated by class of mail. Public information material and tools provided by Pricing and Classification Implementation to the field covered all changes to rates and fees as a whole. An advertising agency was awarded a $3 million contract to produce and distribute the materials. The materials were packaged in Implementation Kits. The kits included lobby posters, operations posters, rate overview brochures, rate flyers, sales sheets by class of mail, and presentation materials. The kits were distributed to Postmasters, Stations and Branches, Postal Operations, Sales, Postal Customer Councils, select Commercial Mail Associations, and Field Implementation Coordinators (see Attachment). In addition, the materials were posted on the USPS website (www.usps.com).

The customer call center uses a computerized support system which contains a rate table updated elsewhere in the organization as an institutional expense. For the call center, the costs associated with a rate change are not tracked separately. Similarly, window time or collection of postage due costs associated only with the change in First-Class Mail single-piece rates cannot be isolated.

Stamp production costs for both the H rate make-up stamp and the H stamp itself were $39.8 million, which included $5.0 million for the make-up stamp alone as indicated in the response to OCA/USPS-47(c)(2).

Attachment to Response to OCA/USPS-50.

(Attachment itself consists of 9 pages.)

Fly Like an Eagle.™

JUST ENOUGH...

HERE'S HOW WE'RE DELIVERING THE RATE CASE TO OUR EMPLOYEES AND CUSTOMERS

COMMUNICATIONS MERCHANDISER

UNITED STATES POSTAL SERVICE

We de

RATE CASE COMMUNICATIONS MERCHANDISER

These fact-filled kits were designed to bring Postal employees and our customers up to speed on the new rate changes. Look for the kit that is designed for you. See how it contains the Rate Case facts you need to know yourself – plus key information to pass on to Postal employees and customers. It will help make a smooth transition for all of us.

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Office Levels 11-17, 51-55, 6, 9 & Misc 3
Sales Kit 4
Customer & Associations Kit ... 5
PCC Mailing 6
R97-1 Project Manager Kit 7

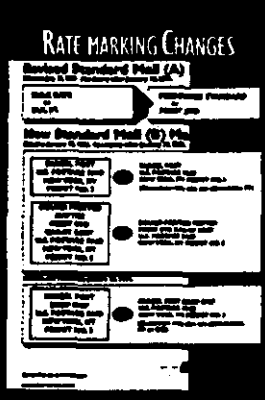
OPERATIONS KIT

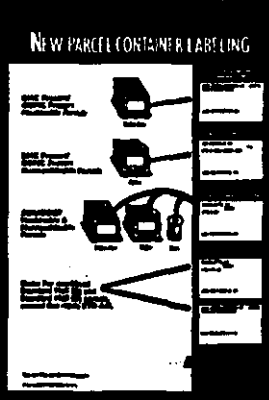
To: **Plant Managers**
BMC Managers
AMC Managers
BME Managers

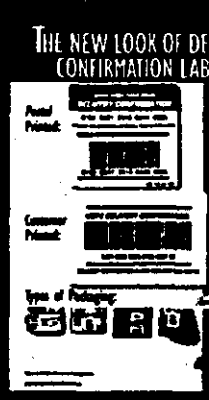
Shipping: ***November 12, 1998***

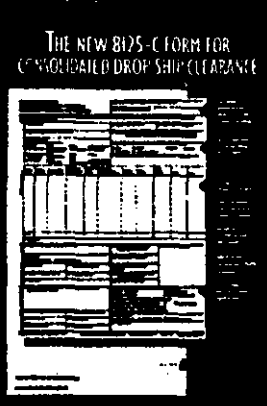
Brochures:	**Order No.**
Communications Merchandising	RCBRO002
Rate Case Overview	RCBRO003
Posters:	
Rate Marking Changes	RCPOST026
Parcel Container Labeling	RCPOST030
New 8125-C Form	RCPOST035
Revised 8125 Form	RCPOST002
Drop Ship Clearance	RCPOST003
Delivery Confirmation*	RCPOST036

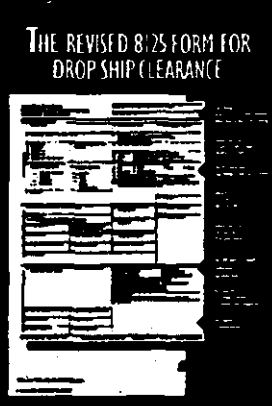
** Distributed in earlier fulfillment.*

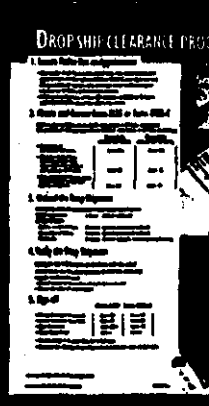












POSTMASTER KIT

Office Levels 18-27

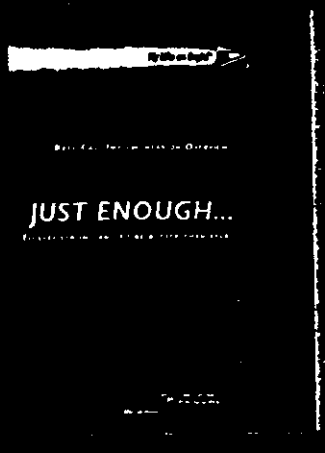
To: Postmasters of Office Levels 18-27
Classified Station/Branch Managers
Postmasters of Hispanic Communities

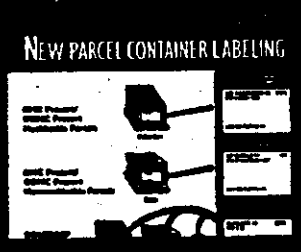
Shipping: November 12, 1998

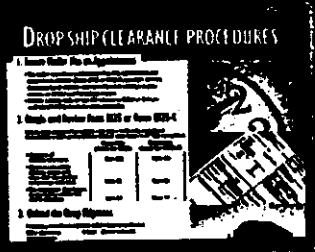
Brochures:	**Order No.**
Communications Merchandising	RCBRO002
Rate Case Overview	RCBRO003
Letter & Form Templates on Diskette: *(Postmasters only)*	
Seminar Support	RCDSKL003
P.O. Box Fee Changes	RCDSKL001
Lobby Flyers:	
Rate Introduction (English)*	RCFLY017
Rate Introduction (Spanish)*†	RCFLY031
Posters: *(Postmasters & Classified Station/Branch Managers)*	
Rate Introduction (English 24x36)*	RCPOST013
Rate Introduction (Spanish 24x36)*†	RCPOST012
Rate Introduction (Spanish 18x24)*†	RCPOST004
(Postmasters & Classified Station/Branch Managers)	
Parcel Container Labeling	RCPOST030
New 8125-C Form	RCPOST035
Revised 8125 Form	RCPOST002
Rate Marking Changes	RCPOST026
Drop Ship Clearance	RCPOST003
Delivery Confirmation	RCPOST036
Sell Sheets: *(Postmasters & Classified Station/Branch Managers)*	
First-Class Mail®	RCSHT011
Priority Mail®	RCSHT014
Express Mail®	RCSHT013
Standard Mail (A)	RCSHT015
Standard Mail (B)	RCSHT016
Customer Support: *(Postmasters & Classified Station/Branch Managers)*	
Retail & Carrier Pocket Card	RCCARD001
Telemarketing Script	RCTELE001

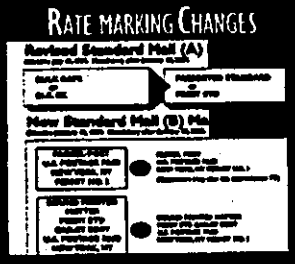
* *Distributed in earlier fulfillment.*

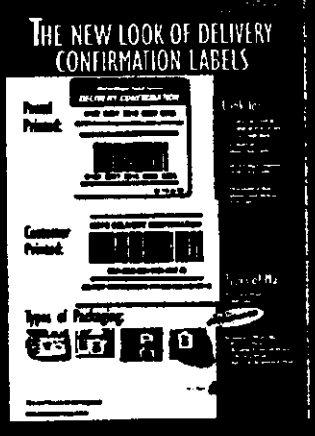
† *Distributed earlier to Postmasters and Postal Store Managers of Hispanic Communities.*

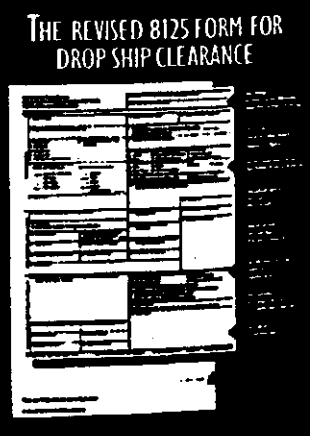






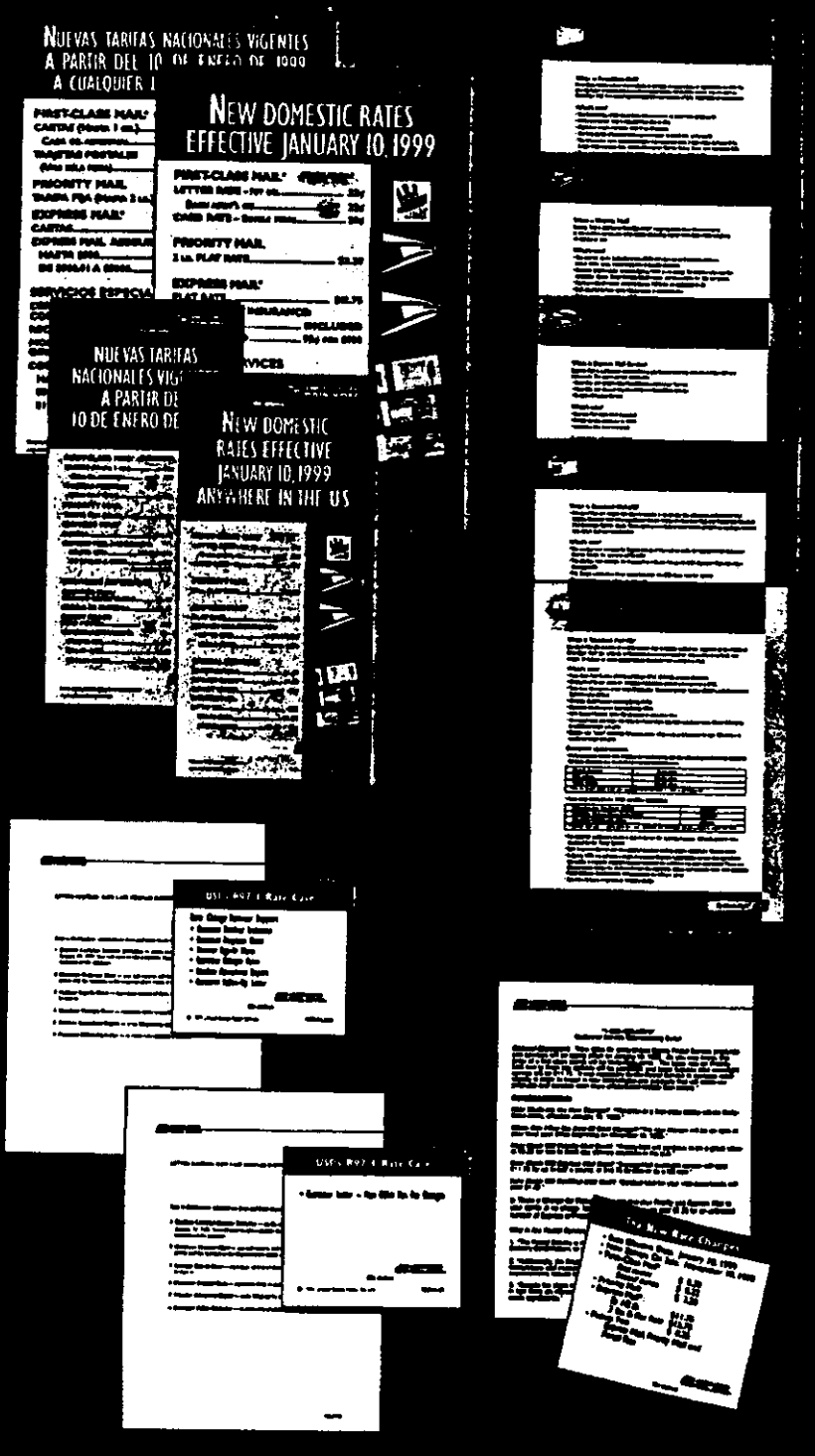






POSTMASTER KIT

Office Levels 11-17, 51-55, 6, 9 & Misc.



To: Postmasters of Office Levels 11-1
51-55, 6, 9 & Misc.
Postal Store Managers
Postmasters & Postal Store Mana
of Hispanic Communities

Shipping: November 12, 1998

Brochures: *(Postmasters only)*	**Order I**
Communications Merchandising	RCBROC
Rate Case Overview	RCBROC
Lobby Flyers: *(Postmasters and Postal Store Managers)*	
Rate Introduction (English)*	RCFLY01
Rate Introduction (Spanish)*†	RCFLY03
Poster: *(Postmasters and Postal Store Managers)*	
Rate Introduction (English 18x24)*	RCPOST
Rate Introduction (Spanish 24x36)*†	RCPOST
Rate Introduction (Spanish 18x24)*†	RCPOST
(Postmasters only)	
Rate Marking Changes	RCPOST
Delivery Confirmation*	RCPOST
Sell Sheets: *(Postmasters only)*	
First-Class Mail*	RCSHT0
Priority Mail*	RCSHT0
Express Mail*	RCSHT0
Standard Mail (A)	RCSHT0
Standard Mail (B)	RCSHT0
Letter Masters for Copying: *(Postmasters only)*	
Seminar Support	RCLET00
P.O. Box Fee Changes	RCLET00
Customer Support: *(Postmasters only)*	
Retail & Carrier Pocket Card	RCCARD
Telemarketing Script	RCTELE0

* *Distributed in earlier fulfillment.*

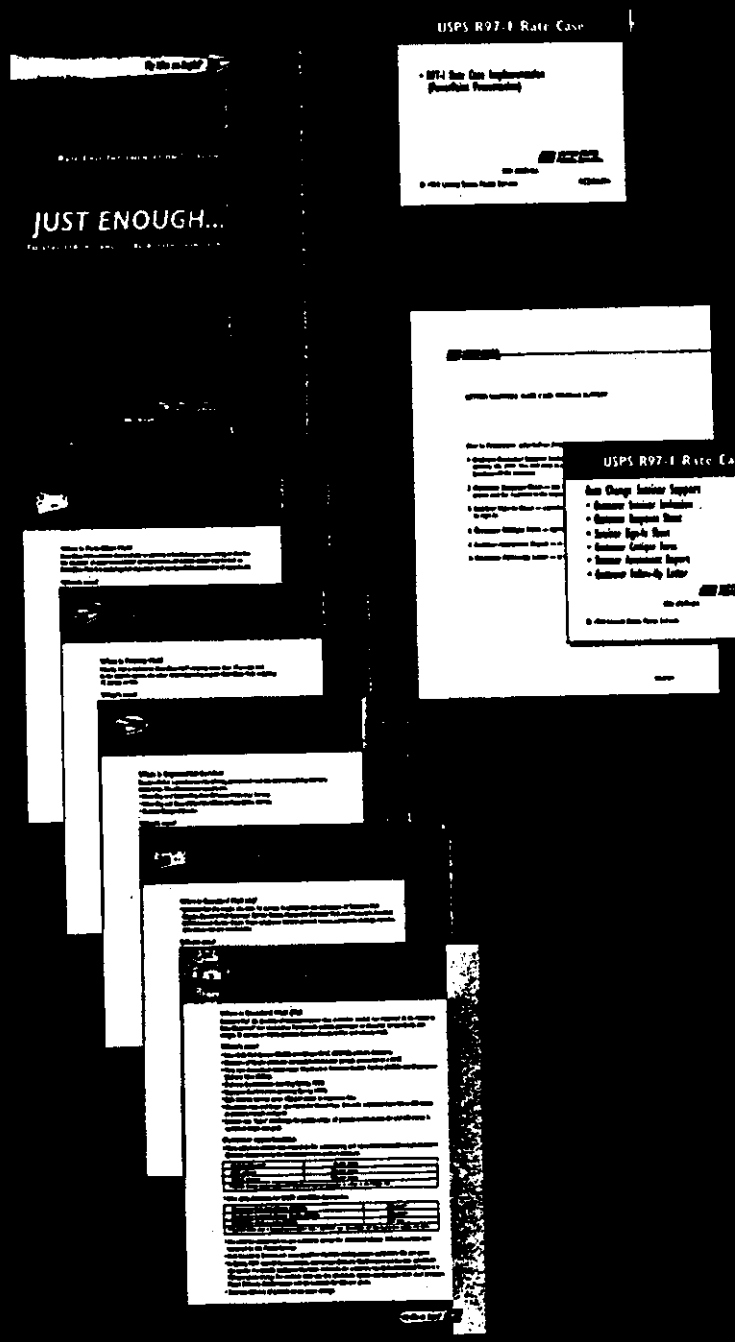
† *Distributed earlier to Postmasters and Postal Stor Managers of Hispanic Communities.*

SALES KIT

To: **National Account Managers**
Account Representatives
Business Center Managers
Business Customer Relations Managers
Area Marketing Managers
District Marketing Managers
Advertising Specialists
Managed Account Specialists
Tactical Marketing & Sales
Managers of Marketing Support

Shipping: **November 12, 1998**

Brochure:	**Order No.**
Rate Case Overview	RCBRO003
Letter & Form Templates on Diskette:	
Seminar Support	RCDSKL003
Letter Masters for Copying:	
Seminar Support	RCLET001
PowerPoint® Presentation Diskette:	
Rate Case Overview	RCDSKL004
Sell Sheets:	
First-Class Mail®	RCSHT011
Priority Mail®	RCSHT014
Express Mail®	RCSHT013
Standard Mail (A)	RCSHT015
Standard Mail (B)	RCSHT016

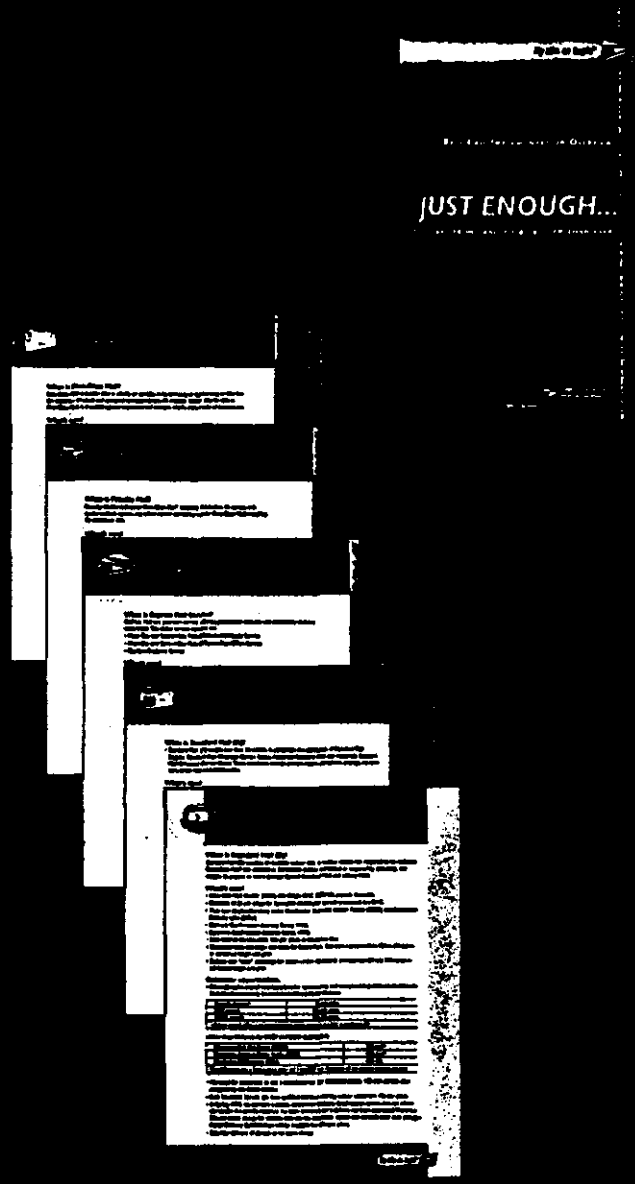


CUSTOMER KIT

To: **National Account Managers**
Account Representatives
Business Center Managers
Postmasters of Office Levels 18-27
Business Customer Relations Managers
Area Marketing Managers
District Marketing Managers
Advertising Specialists
Managed Account Specialists
Managers of Marketing Support
Tactical Marketing & Sales
Chairperson, Mailers Technical Advisory Council (MTAC)
Chairperson, Mail Advertising Service Association (MASA)
Chairperson, Advertising Mail Marketing Association (AMMA)
Chairperson, Direct Marketing Association (DMA)

Shipping: **November 12, 1998**

Brochure:	**Order No.**
Rate Case Overview	RCBRO003
Sell Sheets:	
First-Class Mail®	RCSHT011
Priority® Mail	RCSHT014
Express® Mail	RCSHT013
Standard Mail (A)	RCSHT015
Standard Mail (B)	RCSHT016

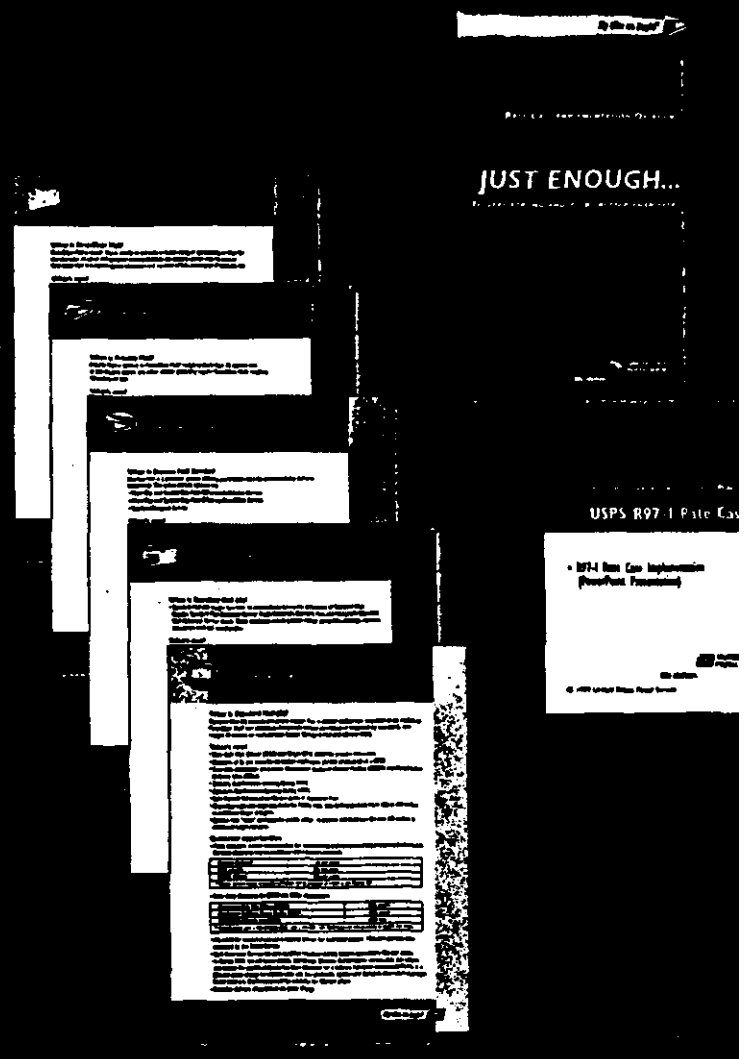


PCC MAILING

To: Chairperson, Postal Customer Council

Shipping: November 12, 1998

Brochure:	**Order No.**
Rate Case Overview	RCBRO003
PowerPoint® Presentation Diskette:	
Rate Case Overview	RCDSKL004
Sell Sheets:	
First-Class Mail®	RCSHT011
Priority Mail®	RCSHT014
Express Mail®	RCSHT013
Standard Mail (A)	RCSHT015
Standard Mail (B)	RCSHT016



R97-1 IMPLEMENTATION PROJECT MANAGER "BIG BOX" KIT

To: R97-1 Implementation Project Managers

Shipping: November 12, 1998

Brochure:	Order No.
Communications Merchandising	RCBRO002
Rate Case Overview	RCBRO003
Customer Support:	
Retail & Carrier Pocket Card	RCCARD001
Telemarketing Script	RCTELE001
Letter & Form Templates on Diskette:	
Seminar Support	RCDSKL003
P.O. Box Fee Changes	RCDSKL001
Letter Masters for Copying:	
Seminar Support	RCLET001
P.O. Box Fee Change	RCLET002
Lobby Flyers:	
Rate Introduction (English)	RCFLY017
Rate Introduction (Spanish)	RCFLY031
Posters:	
Rate Introduction (English)	RCPOST013
Rate Introduction (Spanish)	RCPOST012
Rate Marking Changes	RCPOST026
Parcel Container Labeling	RCPOST030
Revised 8125 Form	RCPOST002
New 8125-C Form	RCPOST035
Drop Ship Clearance	RCPOST003
Delivery Confirmation	RCPOST036
PowerPoint® Presentation Diskette:	
Rate Case Overview	RCDSKL004
Sell Sheets:	
First-Class Mail®	RCSHT011
Priority Mail®	RCSHT014
Express Mail®	RCSHT013
Standard Mail (A)	RCSHT015
Standard Mail (B)	RCSHT016

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES
OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-51. Did the Postal Service conduct any review or analysis of the process of changing First Class Mail rates in January 1999? If not, why not? Provide all related documents.

RESPONSE: The Postal Service did conduct an assessment of the implementation process at a March 3, 1999 meeting. The meeting had representation from Headquarters offices (Pricing and Classification Implementation, Retail, Rates and Classification Service Centers) and Area offices (Area Marketing Specialists, Area Retail Specialists). The assessment was not limited to First-Class Mail, but covered the process as a whole and was conducted in a meeting setting to discuss how successful the Postal Service had been and what it might do to improve for the next implementation. The group was not assembled to develop specific action plans, but was assembled for a brainstorming discussion about suggestions/recommendations for the next implementation.

Because of the character and purpose of the meeting, no formal report was produced. However, an abbreviated set of notes in bullet form was produced and is attached. As indicated by these notes, the group at the March 3 meeting was divided into two teams and each team was tasked with considering different sets of issues, for example, Team 1 was tasked with discussion of training and implementation kits. As further indicated by the notes, each team then came up with a list of "recommendations" about their assigned issues. The recommendations listed are not meant to represent consensus positions of each team, but rather a compilation of suggestions flowing out of the process.

As the implementation effort for Docket No. R2000-1 begins to take shape in the coming months, these notes will likely be revisited for ideas on how to improve the implementation effort this time. To date, one change has already been undertaken. The Postal Service has established a Gateway To The Household implementation readiness team for Docket No. R2000-1 implementation. The team will evaluate the assessment recommendations and

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES
OF THE OFFICE OF THE CONSUMER ADVOCATE

RESPONSE to OCA/USPS-51 (Continued)

develop retail implementation initiatives. It is anticipated that the initiatives will concentrate on the retail lobby and the interaction between the post office and the household customer. It is also anticipated that the initiatives will focus on ensuring stamp availability in all outlets and ensuring that other retail issues are identified and addressed as well.

While not directly related to the March 3 meeting, the Postal Service is also developing a new rates section for its redesigned web site. The new site is expected to go "live" this spring and will include separate rate pages for business and household customers. These new pages will be used extensively to target Docket No. R2000-1 implementation to the appropriate audiences.

R97-1 Retail Assessment Meeting

Team I

Tasks:

- Training and Implementation Kits
  - Elements
  - Distribution and Timelines
- Local Communications/Marketing
  - Build Awareness among residential customers
  - Large Stamp purchasers to buy early
- Vending

Recommendations:

1. Two separate Coordinators dedicated specifically to:
   - Technical information
   - Implementation
2. Implementation Kits
   - Have Quality Control Committee for accuracy
   - Contract officer's representative
     - Responsible for all aspects of kit
     - Ad hoc position
   - Contract with Ad Agency for materials and fulfillment efforts
     - Contains dollar penalties for late delivery (default clause)
   - Kits
     - Delivered using delivery confirmation
     - Quantity is tailored for office size
     - Addresses provided are correct
   - Ratefolds (123) mailed to all businesses
   - Additional promotions
     - Nationally developed postcard sent to all residential addresses
3. Timeline Review and Development Work Group
   - Cross functional group established to create timeline for future rate implementations.
     - Needs to meet in the next 4-5 weeks while issues are fresh.
     - Suggested participants by functional areas:
       - Stamps
       - Retail Operations
       - Vending
       - IRT/POS1
       - Area/Implementation coordinators
       - "External" software companies

- USPS (ad hoc) Information Service (IS). Integration Manager
- Business Mail Acceptance
- Permit System

4. Stamps

•Encourage large stamp purchasers to buy early /avoiding stamp stock shortages

•Canvass field NOW -while still fresh (who bought large quantities of makeup stamps on January 10, 1999?
•Capture current data on stamp stock/stamp sales
•Automatic distribution
•Promote early makeup stamp availability with retail counter cards and clerk buttons...."Buy Early!" or "Ask me About the Makeup Stamp"

•Vending
•Better timeline established from our contractor, MDI
•Quality Control check on products
•Dollar penalty for late delivery
•More variety

5. Residential Customer Awareness

•National postcard developed to send to every residential address
•Pocket ratecard for all window clerks, along with standup talk

6. Solicit field now for "best practices" used during R97-1. Examples include:
   - Postal Lobby Video Network (PLVN)
   - "Ben Franklin"- type video segmented into functional areas; i.e.,retail, plant, delivery etc.)

R97-1 Retail Assessment Meeting

Team 2

Tasks:

- Team makeup
  - Titles and responsibilities
  - Area and district support needed
- National Support needed (other than implementation kits and training)
- Stamp Envelopes

Recommendations:

1. Team make-up - District
   - District coordinators and team members need to be rate specific (i.e. R97-1 involved transportation because of drop shipments etc. being added)
   - Two coordinators
     - Marketing
     - Operations
   - Include areas that would have most impact on the rate case)
     - Manager, Post Office Operation or Level 24 Postmaster - Responsibility - Postmasters and the Managers of Post Office Operation
     - Plant Manager or Manager, Distribution Operations (MDO) - Responsibility - plant managers, maintenance
     - Transportation - Responsibility - impact on transportation issues; i.e., drop shipments
     - Manager, Business Customer Relations - Responsibility - business customers
     - Manager, Bulk Mail Entry - Responsibility - acceptance
     - Manager, Retail - Responsibility - Stamp Distribution Offices, retail outlets, signage
     - Corporate Relations - Responsibility -media help with a local 1-800 number
2. Team makeup - Area
   - Marketing and Operations coordinators - same functional area as district
3. National support
   - Rate cards for retail clerks
   - Canned letters (rate specific)
   - Timelines (implementation guidelines and functional areas)
   - Direct mailings (nationwide)
   - Presentations (powerpoint for postal customer councils/ training videos)
   - Signage (quality improvement team to ensure accuracy before printing)

- •PSTN broadcasts
- •Budget - project workhours/ non personnel

4. Stamped Envelopes
    - An exception rather than the rule
    - Decisions, such as whether re-evaluation or destruction, needs to be made earlier
    - Information sent out to the field earlier

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

OCA/USPS-52.

For the period 1995 to the present, please identify any instance in which the Postal Service provided stamps to individuals without charge (such as in connection with completion of a questionnaire, a courtesy program, as a promotion, etc.). Do not include equal value exchanges of stamps. For each such instance, please explain the terms under which stamps were provided, including the number and value of stamps provided, and the location or area involved. Provide all related documents.

RESPONSE:

In 1999, the Postal Service contracted with National Analysts. Inc. to conduct a survey of customers who had used an Automated Postal Center. The burden on each survey respondent was expected to be significant, approximately 20 minutes. To provide an incentive for respondents to participate in such lengthy interviews, National Analysts purchased $9603.00 in postage stamps, so that each participating survey respondent could be given $9.90 worth of postage stamps for their participation in the survey. A copy of the stamp purchase invoice is attached.

Otherwise, local postal customer service managers have been known to initiate retail service improvement programs, as a part of which they would distribute a basic First-Class Mail rate postage stamp to a customer who waited in line for retail window service more than five minutes. Stamps were purchased out of local budgets for such purposes. There were occasional reports of such local initiatives in the late 1980's and early 1990's. No records relating to them have been located. Nor have any records been located which relate to any such activity since then.

UNITED STATES POSTAL SERVICE
STAMP FULFILLMENT SERVICES
KANSAS CITY MO

OCTOBER 26, 1999

SHIP TO:
SCHLESINGER ASSOCIATES SOUTH
ATTN : STEVE CURTIS
2290 LUCIEN WAY STE 180
MAITLAND FL 32751

NATIONAL ANALYST INC
1700 MARKET ST FL 17
PHILADELPHIA PA 19103-3913

ORDER NUMBER: 14982265 -001

ITEM	AFF	ITEM DESCRIPTION	BCK ORD	QTY	AMOUNT	CODE
554540		$4.95 CELEBRATE THE CENTURY 1950	970		$4,801.50	
554640		$4.95 CELEBRATE THE CENTURY 1960	970		$4,801.50	

ORDER AMOUNT:	$9,603.00
POSTAGE & HANDLING	$ 0.00
FOREIGN HANDLING	$
EXPRESS MAIL FEE	$

EXPRESS MAIL PAID BY CUST CORP ACCOUNT

TOTAL AMOUNT:	$ 9,603.00
MONEY FROM ID	$
CREDIT CARD CHARGED	$

THANK YOU FOR YOUR PHILATELIC ORDER

EM316655313US EM316655300US EM316655327US

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

OCA/USPS-54

Please provide copies of all documents, surveys, survey data, summaries, and/or tabulations created since December 31, 1990, relating to the views of consumers and small business mailers with respect to

(a) the frequency of changes in the First-Class letters first-ounce postage rate or

(b) the need for less frequent changes in, and therefore longer periods of stability for, the First-Class letters first-ounce postage rate.

RESPONSE:

No such documents exist.

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

OCA/USPS-55

(a) Please confirm that larger mailers have expressed a desire to Postal Service management and to the Board of Governors that rate increases, when necessary, be implemented more frequently so as to permit smaller rate increases, thus avoiding sharp increases in mailer costs. If you do not confirm, please explain. Please provide copies of all documents from mailers relating to the frequency or size of postal rate changes.

(b) Please explain how Postal Service management and the Board of Governors have responded to the expressed desires of larger mailers for smaller and more frequent rate changes.

(c) Please confirm that it is the intent of Postal Service management to limit the period during which new postal rates will be in effect to approximately two years. If you do not confirm, please explain. Please provide all documents relating to the Postal Service's policy with respect to frequency and timing of rate changes.

(d) Please confirm that it is a policy of the Board of Governors, or that the Board of Governors has considered a policy, to limit the period during which new postal rates will be in effect to approximately two years. If you do not confirm, please explain. Please provide the minutes and a transcript of any Board of Governors meeting since January 1, 1995, in which the Board discussed or considered the frequency of rate changes. If a resolution or other memorialization of such a policy has been adopted by the Board, please provide a copy.

RESPONSE:

(a) Some mailers have expressed the view to Postal Service management and to the Board of Governors that omnibus rate increases should be more frequent and smaller, in order to avoid steeper general increases which could result from deciding to increase rates less frequently. It probably would not be inaccurate to characterize some of these mailers as "larger" than most (if "all" includes the public, in general).

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

Response to OCA/USPS-55 (continued)

The Postal Service has not retained copies of all documents it has received from mailers reflecting their views concerning the relationship between frequency and magnitude of general postal rate changes. Nor has the Postal Service conducted an exhaustive search of all of its files and archives for the purpose of locating all such documents which may exist. A search was conducted of the files of the Office of the Secretary to the Board of Governors for documents received in anticipation of the filing of the Docket No. R2000-1 Request which appear to address the relationship between frequency and magnitude of general postal rate increases. That search identified two letters, copies of which are attached.

A similar search of the files of the office of the Vice-President, Marketing Systems, was initiated, since correspondence addressed to most other components of postal headquarters management concerning the relationship between frequency and magnitude of general rate increases would be forwarded there for review or response. If documents are located (which are not duplicative of those attached), a supplemental response will be filed.

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

Response to OCA/USPS-55 (continued)

Along the same lines, a search of the files of the USPS Consumer Advocate has been completed. That search did not identify any documents from mailers which discussed the relationship between frequency and magnitude of general rate increases.

(b) The rate and classification requests filed by the Postal Service at the Commission reflect the efforts of postal management and the Board to discharge their statutory responsibilities in a manner which reflects consideration of the diverse, sometimes conflicting, desires of the various elements of the mailing community.

(c) It is the objective of postal management to extend the rate cycle for each omnibus rate increase for as long as possible, in concert with meeting the Board's policy on restoration of equity and recovery of prior years' losses. Such interrelated factors as the magnitude of a particular set of rate increases, market response to those rates, postal finances, capital expenditures, collective bargaining results, limitations on borrowing authority, debt reduction policy, and management's ability contain costs affect the degree of success that management is able to achieve.

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

Response to OCA/USPS-55 (continued)

The timing of omnibus rate cases is a matter left to the discretion of the Board of Governors by the Postal Reorganization Act. The frequency of requests for omnibus rate increases by the Postal Service is a by-product of constant review by management and the Governors to fulfill their responsibility to achieve financial breakeven over time and to meet their various other responsibilities under the Act.

(d) The Board does not have a policy of limiting the effective period during which new postal rates will be in effect to approximately two years (or any other period). There is no resolution or other memorialization of such a policy. Nor has the Board discussed or considered adoption of such a policy during the period in question.

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Venable, Baetjer, Howard & Civiletti
*Executive Committee

1901 N. Fort Myer Drive, Suite 401
Arlington, VA 22209-1609

Tel. (703) 524-0096
FAX (703) 524-1971
Web site: http://amma.org

October 4, 1999

The Honorable Einar Dyhrkopp
Chairman, Board of Governors
United States Postal Service
475 L'Enfant Plaza, SW
Room 10300
Washington, DC 20260-1000

Dear Mr. Chairman:

As Chairman of the Advertising Mail Marketing Association, I am writing on behalf of our members to urge the Board to reconsider the decision that has apparently tentatively been made to seek an increase in postal rates and fees within the next several months. We make this request because all of the indications are that the Postal Service continues to do well financially and because the premature filing of a postal rate request does not, in the end, serve the interests of the Postal Service or of its customers. We believe that both the filing of the rate case and the implementation of the next round of rate increases can be deferred while still keeping the increase below the cumulative rate of inflation.

Several factors lead us to this conclusion. The Postal Service has completed its fifth consecutive year of surpluses and is currently expected to complete FY2000 in the black. The cost containment program introduced by Postmaster General Henderson earlier this year is succeeding, as the AP reports -- and particularly the report for AP12 -- show. While it is certainly true that the recently announced arbitration award will have effects on Postal Service costs, the impact of that decision will not be felt for another 12 months. Moreover, the full cost effects of that decision may well be offset by the Postal Service's increasing successes in deployment and implementation of automation programs and other productivity initiatives. For example, the 1998 Cost and Revenue Analysis Report shows that the cost of processing First-Class mail was markedly lower in FY1998 than it was in FY1997. While the flats automation program is not yet achieving the same level of success, both mailers and the Postal Service are working very hard on those issues. There is every reason to expect that the benefits of flats automation will begin to reflect

Attachment
OCA/USPS-55 1of4

themselves, not just in mail processing but in the delivery functions, before the new wage package takes effect.

We think that the Governors and Postal Service management can justifiably take pride in the successes of recent years. At the same time, these accomplishments give rise to the fundamental question whether the Postal Service really needs now to seek additional revenues or whether both the filing of the rate case and the implementation of new rates can be deferred. There have been situations in the past when the deferral of a rate increase served only to result in higher rates later on. We at AMMA can see the logic of the Postal Service's more recent policy of seeking modest rate increases more frequently. But, that policy still requires the Board to calibrate rate increases as closely as possible to Postal Service needs. And, we are convinced that the next round of increases can be deferred while still keeping the overall increase at (or below) the cumulative rate of inflation.

We know, on the basis of our collective experience in the 1997 rate case, what happens when a rate request is filed prematurely. We are highly appreciative that the Board of Governors ultimately concluded that implementation of the last rate increase could be deferred for six months. However, confusion and uncertainty as to the amount of additional revenues the Postal Service would actually need and when those revenues would be needed existed for over a year. That was hurtful to both the Postal Service and to the mailing community, disrupting mailers' budgets and business planning and adversely affecting volume growth.

We, therefore, ask the Board of Governors to take a close and hard look at the Postal Service's current financial situation and the very positive trends in revenues, cost containment and automation improvements that can be expected over the next 12 months before deciding that new rates truly need to be implemented early in 2001.

Very truly yours,

Cary H. Baer

Cary H. Baer
Chairman, Advertising Mail Marketing
Association

cc: Governors of the Postal Service
Postmaster General Henderson

Attachment
OCA/USPS-55 2 of

Miles Kimball

41 W 8th Ave Oshkosh WI 54906-0100

(920) 231-3

FAX (920) 231-6

Michael D. Miolo, Chairman, President and CEO

October 5, 1999

The Honorable Einar V. Dyhrkopp
Chairman
Board of Governors
United States Postal Service
475 L'Enfant Plaza West, SW, Room 10300
Washington, DC 20260

Dear Mr. Chairman:

As you and your Board begin to strategically opine on postal rate increases, I would like to submit what I believe to be some fresh thinking!

For the past several years the USPS has done an outstanding and aggressive job of modernization and automation. The changes that have been put in place, are being put in place, and will be put in place are **outstanding capital improvement projects**. For this, you, your board, and the USPS should be proud as they represent not just technological enhancements, they produce **better universal service for the American people**.

In addition to these outstanding capital improvement projects, sensible partnerships have been forged with partners like CTC Distribution Services that leverage the strengths of the USPS well beyond whatever we imagined just a few short years ago.

These activities, in a strategic sense, were **seeds that you sowed** years ago, and these seeds are producing a wonderful harvest for USPS.

Profits have been extraordinary and have permitted the USPS to bring their balance sheet with the American people into order.

This is a terrific performance! You and your colleagues are to be congratulated on solid strategic thinking and good operational execution.

Now for the Fresh Air! Given the circumstances that you have achieved over the past five years, **why would you even consider a rate increase? Strategic thinking would suggest a rate decrease to attract incremental volume to a volumetrically hungry, automated system.**

The real question you and your Board need to ask yourselves is; will the USPS be better or worse off with any form of a rate hike?

Attachment
OCA/USPS-55 3 of 4

BOARD OF GOVERNORS Received OCT 8 1999 OFFICE OF THE SECRETARY U.S. POSTAL SERVICE

From my perspective, and we spend over $30 million per year with the USPS, the answer is very clear – **you will be worse off**. The elasticity of demand will diminish the automated leverage you have strived for over the past several years. **Automation is hungry for volume and any form of a rate hike will diminish volume.**

To seriously consider rate hikes in the year 2000 is exactly the wrong thing at exactly the wrong moment of time. **You should be doing the exact opposite – considering rate decreases to drive volumetric economies!**

Or, at a minimum, you should hold rates for 2-3 years to determine the "value" of automation leverage. My real fear is **"bad habits"** – the postage service takes rate hikes ever 2-3 years and here we go...

I would strongly suggest a more strategically patient and prudent course for the USPS. You will be delighted with the result and more importantly so will the American people. And, let's say I'm wrong...volume does not pick up with static to declining rates, then you can move to take corrective measures if necessary, but to implement a rate hike for 2001 is clearly premature.

I thank you for your thoughtfulness, and I look forward to a **more enlightened rate making strategy in the future!**

Truly yours,

MILES KIMBALL COMPANY

MICHAEL D. MUOIO
Chairman, President and CEO

MDM:mlb

cc: USPS Board of Governors - Robert F. Rider, LeGree S. Daniels, Sam Winters, Tirso del Junco, Ned R. McWherter, S. David Fineman, Ernesta Ballard, Michael S. Coughlin, William J. Henderson

P.S. I've enclosed some of our catalog offerings for your review, as I know they will be useful as the Holidays approach.

Attachment
OCA/USPS-55 4 of 4

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

OCA/USPS-58. Refer to OCA/USPS-8 and OCA/USPS-9 and the responses thereto filed February 7, 2000. The questions below relate to widespread or saturation mailings by the Postal Service to the general public, not to mailings to employees or single-piece mailings, targeted business mailings, or other limited-scope mailings.

(a) For the volume of GFY 1998 and GFY 1999 Postal Service mailings reported in the Government Fiscal Year 1999 Revenue, Pieces, and Weight Report, what portion of the mailings are entered under Permit No. G-10? Are any non-Postal Service mailings sent under Permit No. G-10? Does the Postal Service use permits other than G-10? If so, please list the permit numbers and the volumes mailed under those permits for GFYs 1998 and 1999.

(b) Provide copies of mail entry documents, comparable to those required by the Postal Service of mailers, for Postal Service mailings entered under Permit No. G-10 in GFY 1998 and GFY 1999.

(c) Provide any documents, including audits, reports, budgets, studies, reviews, or similar documents, concerning the cost of preparing and/or mailing widespread or saturation mailpieces mailed under Permit No. G-10 (or other permits).

(d) Are such mailpieces mailed under Permit No. G-10 (or other permits) prepared by the Postal Service or by outside contractors?

(e) Are RPW reported volumes for Postal Service Mail estimates? If so, are any attempts made to reconcile such estimates with accounting records? Please explain.

(f) Please provide copies of all documents relating to the proper use of permits such as Permit No. G-10 by Postal Service employees or agents.

(g) State whether any records exist that would identify mailings made by the Postal Service to the general public either on an area or regional basis or on a nationwide basis. From any such records, provide a list of such mailings in GFY 1998 and GFY 1999.

RESPONSE:

(a) The portion of mailings send under Permit No. G-10 to the general public is not available. U.S. Postal Service Mail volume shown in the RPW Report is collected through the Domestic RPW System (DPRW). DPRW identifies only mail category (e.g., First-Class Mail or Priority Mail), marking (Penalty, Private, USPS), and indicia (e.g., stamped or permit). In addition, there are

no non-Postal Service mailings sent under Permit No. G-10. Finally, the Postal Service does not use permits other than G-10.

(b) There is no national database of such records and no practical means of gathering them. See also response to (e).

(c) The Postal Service has no information responsive to this request.

(d) Both the Postal Service and outside contractors prepare Permit No. G-10 mailings.

(e) Yes. No attempts are made to reconcile such estimates with accounting records, since there is no Postal Service requirement to record all such activity. For example, single-piece mailing records were not required to be kept at the district and local level for PFY 1998 and PFY 1999.

(f) A copy of Handbook DM-103 is provided in USPS LR-I-197.

(g) No central records exist that would identify mailings made by the Postal Service to the general public either on an area, regional, or nationwide basis. See also response to (e).

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

OCA/USPS-59. Refer to OCA/USPS-10 and the response thereto filed February 7, 2000. Please confirm that a reasonable "estimated TY volume variable unit cost for Standard A Mail Saturation ECR" is $0.05415. The derivation of this estimate is described below. If $0.05415 is not a reasonable estimate, please provide an estimate and explain the derivation of the estimate.

Derivation of $0.05415: Exhibit USPS-32B provides a TYAR volume variable cost for all Standard Mail (A) regular ECR of $2,471,864,000. Exhibit USPS-T-6, Table 1, provides a TYAR volume for all Standard Mail (A) regular ECR of 32,828,211,000. This results in an average unit volume variable cost for all Standard Mail (A) regular ECR of $0.075297. No calculation was provided by the Postal Service for the volume variable costs of saturation ECR. USPS-LR-I-166, filed January 12, 2000, spreadsheet "wp1_comm.xls," provides at page 3 TYAR volume forecasts for each category of regular ECR (auto, basic, HD, saturation letters; basic, HD, saturation non-letters). At page 10 the same spreadsheet provides total test year mail processing and delivery costs for each category. The average unit test year cost for mail processing and delivery for all categories of regular ECR is $0.07162; the average unit test year cost for the two saturation categories (letters and non-letters) is $0.05150. Accordingly, saturation unit cost appears to be 71.9151% of overall regular unit ECR cost. Turning to volume variable cost, 71.9151% of $0.075297 = $0.05415.

RESPONSE:

If and when the estimate appears in OCA testimony and the purposes for which the estimate is calculated become apparent and the use to which it is put becomes clear, the Postal Service might be in a position to judge the "reasonableness" of the estimate and determine whether there is a need (and whether it is able) to respond with an even more "reasonable" estimate on rebuttal. In the mean time, the Postal Service can confirm that the arithmetic presented in the interrogatory is correct.

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

OCA/USPS-60. Refer to the attachment. Provide the unit cost of producing this mailpiece (do not include cost of mailing the mailpiece). This mailpiece was sent as First-Class Mail under Permit No. G-10. Is there any reason that a similar mailpiece could not be sent as Standard Mail (A) saturation ECR? If so, please explain.

RESPONSE:

The unit cost of production is 3.77 cents. To the knowledge of local officials, the envelope could have been marked as a saturation Standard Mail (A) ECR piece; indeed, it was treated as a simplified address piece for purposes of processing and delivery.

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

OCA/USPS-61.

Provide an estimate of the cost of producing 130 million sheets of 12 self-adhesive standard size stamps, denominated as "make-up rate" stamps (i.e., similar in size and format to the "Fruit Berries" stamp sheet, #15645-16622, but for 12 stamps rather than 20).

RESPONSE:

The Postal Service does not normally produce panes of 12 stamps, and is not likely to ever do so for so large a print run. Current contractual requirements with suppliers include design elements for panes of 10, 15, 20, 50 or 100 with the most often produced pane being 20. The Postal Service does not produce stamps in the quantity described (130 million times 12), except for purposes of rate case implementation. The Postal Service currently has over 1 billion 1-cent stamps in its inventory.

It is estimated that the production costs for 130 million books of 10 stamps of the type described in the question would be approximately $2.99 per thousand stamps, or $3.887 million.

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

OCA/USPS-62.

Provide an estimate of the time required to plan, print, and distribute new denominations of First-Class stamps, including "make-up rate" stamps, for an assumed effective date of new rates of January 2001.

RESPONSE:

Critical meetings to plan the implementation of the results of Docket No. R2000-1 have already begun. Unlike other omnibus rate changes since 1978, the Postal Service plans to provide new basic (First-Class Mail, first-ounce postage) rate stamps in a non-denominated format as a part of Docket No. R2000-1 rate implementation. These stamps will not bear the numeric basic rate (for example, 34 cents), but will bear a "First-Class Mail" or similar endorsement. These stamps will bear the artistic design that will be used on the denominated stamps that will follow approximately one month after the new basic rate takes effect. In addition, an ample supply of 1-cent stamps will be available to support all "make-up" rate needs.

Previous timetables that were used to implement omnibus rate changes using an alpha stamp (e.g., "H" stamp) required production windows ranging from six months to a year. Back in May, 1978, when alpha stamps were first used, the only stamp supplier was the Bureau of Printing and Engraving. However, since Docket No. R94-1, the Postal Service has come to rely more and more on private suppliers. These private suppliers now produce 60 percent of postage stamps distributed and sold by the Postal Service. These alternative sources

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

RESPONSE to OCA/USPS-62 (continued)

now allow the Postal Service to produce large quantities of stamps in a much shorter time frame than before. As a consequence, there is no longer the need to begin production of large volumes of non-denominated rate change and make-up stamps six months in advance of omnibus rate change implementation.

Accordingly, for purposes of implementing the changes expected from Docket No. R2000-1, the Postal Service is planning to produce a 1-month supply of non-denominated rate change stamps. The Postal Service expects that its current supplier base will allow it to produce all necessary stamps to meet inventory needs and customer demand. This should simplify rate implementation for single-piece First-Class Mail users.

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

OCA/USPS-63. Please provide an estimate of the number of domestic delivery addresses the Postal Service expects to have in January 2001.

RESPONSE: One rough estimate can be obtained by summing the city and rural deliveries estimates for 2001 on page 175 of LR-I-127 of 83,489,986 and 30,666,946, plus the TYBR post office "boxes in use" estimate of 17,995,845 shown on Workpaper 18 associated with the testimony of witness Kaneer (USPS-T-40). Such an estimate, however, would not necessarily be related specifically to the month of January in 2001.

Response of the United States Postal Service to Interrogatories of the Office of Consumer Advocate

OCA/USPS-64. Refer to USPS-LR-I-179, filed February 7, 2000, and USPS-T-6, Table 1. Total volume appears to differ by approximately 8.5 billion pieces, with most of that occurring in Standard (A). Please provide an explanation of the differences in the volume projections in USPS-LR-I-179 (specifically at page 8 for PFY 2001) from the TYAR volume projections in USPS-T-6, Table 1 for GFY 2001. Identify all differences in forecasting methodologies and assumptions between the two forecasts.

Response:

First, the volume projections in USPS-LR-I-179 assumed an across-the-board rate increase of 3.03 percent (equal to a 34-cent stamp) on Jan. 7, 2001. Neither the before- or after-rates forecast filed in the rate case has that assumption. The TYAR forecast filed in the current case reflects the Postal Service's requested rates. The requested increase is greater than 3.03 percent, and is not equal across all categories of mail, as was assumed in that planning scenario. Updating the pricing assumptions to reflect the TYAR proposals drops the volume, primarily in Standard (A).

Updating the forecast to include actual 1999Q4 in the base further reduced volume. The rate case forecast also reflects ongoing improvements in model specification, and this further reduced the rate case forecast relative to the planning scenario used in USPS-LR-I-179. Lastly, as noted in the question, the volume projections in USPS-LR-I-179 are for PFY2001, not GFY, so that by itself would also cause the totals to be lower.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
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OCA/USPS-66. Please refer to the two page document at the beginning of USPS-LR-I-82 entitled "Electronic Bill Payment and the Impacts on Mail Volume—Evidence from the Household Diary Study 1995-1997." The last sentence on the second page of that document indicates that recommended *questions "are included in the report."*

(a) Please provide a copy of the report referred to in this sentence.

(b) Please provide a list of the questions recommended for inclusion in the Household Diary Study.

(c) Have any of the recommended questions been included in the 1998 or 1999 versions of the Household Diary Study? If not, why not?

RESPONSE:

(a) A copy of this report will be provided as USPS-LR-I-191.

(b) Appendix A of USPS-LR-I-191, beginning on page 33, contains a list of questions proposed for inclusion in the Household Diary Study.

(c) Neither the 1998 nor the 1999 Household Diary Study contained any of the questions recommended in the report, because the report was not issued until April of 1999, well after the start of the 1999 survey.

BELATED RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-67

Please refer to the responses of the United States Postal Service to OCA/USPS-39 and OCA/USPS-42.

	Single-Piece First-Class Mail FIM Tagged		
	FY97	FY98	FY99
OCA/USPS-39	8,293,332,000	8,699,966,000	8,965,729,000
OCA/USPS-42 (ODIS)	9,015,374,407	9,396,719,740	9,678,952,456
OCA/USPS-42 (RPW-Adj)	8,751,467,000	9,178,055,000	9,438,982,000

For FY97, FY98 and FY99, please reconcile the volumes of single-piece First-Class mail that were FIM tagged. Also, please provide the source of the FIM volumes the USPS provided in its response to OCA/USPS-39.

RESPONSE:

First, ODIS was used to calculate the percentage of FIM-tagged mail as the ratio of estimated First-Class Single Piece FIM-tagged volume to the total estimated First-Class Single Piece Volume. Second, this percentage was applied to:

(1) the estimated total RPW First-Class Single Piece Letters, Flats & Parcels (excluding cards) volume in OCA/USPS-39,

(2) the estimated total ODIS First-Class Single Piece (all shapes) volume in OCA/USPS-42 (ODIS), and

(3) the estimated total RPW First-Class Single Piece Letter, Flats & Parcels, and Cards volume in OCA/USPS-42 (RPW-Adj).

For example, for FY 98, ODIS estimates the percentage of FIM-tagged mail as 0.16033. This percentage was applied to the following base:

54,273,024,000 for OCA/USPS-39;

58,608,618,000 for OCA/USPS-42 (ODIS); and

57,244,775,000 for OCA/USPS-42 (RPW-Adj).

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

OCA/USPS-68

Refer to OCA/USPS-20 and the response thereto filed on February 10, 2000, where the Postal Service stated that "some local post offices deliver rate increase notices to businesses and households right before implementation of new rates." Estimate the number of businesses and/or households which were so notified before the January 1999 rate increase. Does the Postal Service provide guidelines to local post offices on how, when and whether to provide such notices? How is the cost of such notices recorded. Provide an estimate of the cost of all such notices provided before the January 1999 rate increase.

RESPONSE:

There was no centrally directed effort to deliver rate increase notices to businesses and households in anticipation of the January 1999 rate increase. Local postmasters and managers in postal districts are encouraged to take initiative to inform their customers concerning changes in postal programs and policies. Many did so in connection with the January 1999 rate increase. There is no national tracking system established to determine the number of such notices that were issued or the aggregate costs of the numerous local initiatives.

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

OCA/USPS-69.

Refer to OCA/USPS-23 through OCA/USPS-27 and OCA/USPS-33 and the response thereto filed on February 10, 2000. Provide the amount of, or an estimate of the amount of, the total underpayment of postage and the total overpayment of postage. Identify the period to which the amounts or estimates pertain (*e.g.*, PFY99). Provide any available breakdown or estimate of breakdown of the underpayment and/or overpayments amounts. Provide related documents, including reports, estimates, or studies relating to incorrect postage payments.

RESPONSE:

See attached spreadsheets.

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

FIRST CLASS SINGLE-PIECE LETTERS, FLATS AND IPPS
GFY 1999

Short Paid Amount/Pc	GFY 1999 Volume	Short Paid Revenue
$0.010	262,718,501	2,627,185
$0.110	27,271,757	2,999,893
$0.120	8,327,650	999,318
$0.130	9,764,630	1,269,402
$0.220	180,853,624	39,787,797
$0.230	88,862,948	20,438,478
$0.320	16,613,216	5,316,229
$0.330	26,165,548	8,634,631
$0.440	11,492,652	5,056,767
$0.460	4,730,288	2,175,933
$0.660	3,821,298	2,522,057
$0.690	1,585,640	1,094,091
$0.880	1,674,906	1,473,917
$0.920	740,472	681,234
Varies	129,506,662	32,393,554
	774,129,792	**127,470,486**

Over Paid Amount/Pc	GFY 1999 Volume	Over Paid Revenue
$0.090	89,242,421	8,031,818
$0.110	167,204,328	18,392,476
$0.220	343,497,248	75,569,395
$0.230	162,482,042	37,370,870
$0.310	45,361,067	14,061,931
$0.320	54,315,001	17,380,800
$0.330	94,048,204	31,035,907
$0.440	38,667,299	17,013,612
$0.460	9,241,240	4,250,970
$0.660	10,279,789	6,784,661
$0.690	2,410,999	1,663,589
$0.880	3,059,372	2,692,248
$0.920	1,518,861	1,397,353
Varies	372,766,498	95,400,731
	1,394,094,369	**331,046,361**

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

FIRST CLASS SINGLE-PIECE NONSTANDARD LETTERS, FLATS AND IPPS
GFY 1999

Short Paid Amount/Pc	GFY 1999 Volume	Short Paid Revenue
$0.110	41,503,531	4,565,388
Varies	7,993,048	505,349
	49,496,579	**5,070,737**

Over Paid Amount/Pc	GFY 1999 Volume	Over Paid Revenue
$0.110	53,090,962	5,840,006
$0.120	23,514,328	2,821,719
$0.210	6,213,431	1,304,821
$0.220	12,742,630	2,803,379
Varies	29,006,559	13,809,491
	124,567,910	**26,579,416**

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

FIRST CLASS SINGLE-PIECE CARDS
GFY 1999

Short Paid Amount/Pc	GFY 1999 Volume	Short Paid Revenue
$0.200	1,857,901	371,580
Varies	1,713,065	92,933
	3,570,966	**464,513**

Over Paid Amount/Pc	GFY 1999 Volume	Over Paid Revenue
$0.120	51,253,092	6,150,371
$0.130	80,125,365	10,416,297
Varies	4,050	1,661,530
	131,382,507	**18,228,198**

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

OCA/USPS-70. Refer to OCA/USPS-48 and the response thereto filed on February 14, 2000. Provide the Postal Service's estimate of postage in the hands of the public. Provide all documents related to the estimate.

RESPONSE:

Postage in the hands of the public (PIHOP) for FY's 98 ($1.628 billion) and 99 ($1.673 billion) can be found on page 59 of 1999 Annual Report. Estimated changes in PIHOP for FY's 2000 and 2001 can be found on page 232 of LR-I-127. These amounts ($53.495 million for FY 2000, $39.200 million for FY 2000 before rates, and $109.235 million after rates) were estimated by multiplying the estimated increase in revenue by the previous year's PIHOP estimate. The calculations are located in the electronic spreadsheet note_int_.xls in LR-I-127.

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

OCA/USPS-71.

Refer to OCA/USPS-50 and the response thereto filed on February 10, 2000, where the Postal Service stated that "window time or collection of postage due costs associated only with the change in First-Class Mail single piece rates cannot be isolated." Provide total incremental costs associated with the changeover to new rates in January 1999 for window time, overtime, and collection of postage due. Provide related documents.

RESPONSE:

The Postal Service does not have data which isolate incremental costs associated with the changeover to new rates in January 1999 for window time, overtime, and collection of postage due.

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

OCA/USPS-72

Refer to OCA/USPS-51 and the responses thereto filed on February 16, 2000. Has the Postal Service developed, or is the Postal Service developing a "timeline for future rate implementations" as recommended by the March 1999 Retail Assessment Meeting? If so, provide a copy of the timeline. Is the Postal Service planning a "Nationally developed postcard sent to all residential addresses" as recommended by the March 1999 Retail Assessment meeting? If so, provide a summary of the plans for such a mailing, including estimated costs.

RESPONSE:

As stated in the February 16th response, the recommendations listed in the bulleted notes from the March 1999 meeting represent a compilation of suggestions flowing out of brainstorming session designed to review past processes and to identify improvement opportunities for implementation of new rates. When a recommended decision in Docket No. R2000-1 is deemed to be close at hand, these notes will likely be revisited for ideas on improving the implementation process. At this point, there has been no concentrated effort to evaluate the feasibility of the suggestions resulting from the meeting. If such an evaluation takes place, it is not likely to occur until late summer or early fall of 2000.

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

OCA/USPS-73. Refer to OCA/USPS-10 and OCA/USPS-59 and the responses thereto filed on February 7 and 24, 2000. Provide (or estimate) the "TY volume variable unit cost of Standard A Mail Saturation ECR."

RESPONSE:

The estimated TY volume variable unit cost of an average Standard Mail (A) Saturation ECR piece (letter, flat and parcels combined) at the average level of dropshipping is 5.1 cents. This estimate was derived using several assumptions, such as Saturation mail incurs the same window, transportation, vehicle service and other costs as the rest of ECR mail. Applying this average to a specific situation could be misleading.

Response of United States Postal Service
to
Interrogatories of Office of the Consumer Advocate

OCA/USPS-74. Provide or refer to documents (including studies and analyses) showing the composition of, or breakdown of, window clerk activities, including the number of transactions in each category.

Response:

Docket No. R97-1, LR-H-167 contains the results of a window service time study and econometric analysis. It includes number of transactions and transaction times for the purchase of stamps and other window activities.

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

OCA/USPS-75

Provide (or estimate) the number of additional window, stamps-by-mail, and online stamp sale transactions resulting from the postage rate increase in January 1999. Provide a comparison of the number of such transactions in a reporting period that includes January 1999 with a comparable period including January 1998.

RESPONSE:

Sites which record Stamps-By-Mail transaction into a computerized database account for approximately 40 percent of transactions. Stamps-By-Mail orders for these sites during FY99 AP4 increased by approximately 70,000, or about 22 percent from the previous year. FY99 AP5 orders increased by approximately 70,000, or about 25 percent over the year before. It is not known what portion of these transactions would not have occurred in the absence of a rate change.

Stamps Online was soft-launched in December of 1998. It is impossible to know how many of the transactions which occurred in January 1999 had anything to do with the fact that new rates were being implemented then.

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

OCA/USPS-76

Provide (or estimate) the cost to the Postal Service of each of the following stamp transactions:

(a) A retail facility window purchase (as part of the answer to this subpart, please update USPS-RT-17C from Docket No. R97-1 with data from Docket No. R2000-1);

(b) A stamps-by-mail purchase (such as one in response to the USPS mailing attached to OCA/USPS-60); and

(c) An online stamp order.

RESPONSE:

(a) See attached 3 pages.

(b) It is estimated that the average cost per Stamps-by-Mail transaction is $0.11 per revenue dollar.

Ann. Vol.	Avg.Cost/ Order	Annual Costs –	Avg. Rev./ Order	Annual Rev.	Avg. Cost/ Rev. $
9,530,361	**$3.74**	**$35,642,894**	**$32.91**	**$313,686,886**	**$0.1136**

(c) StampsOnline: From 12/1/98 through FY 2000, AP 6 –

Vol..	Avg.Cost/ Order	Costs	Avg. Rev./ Order	Revenue	Avg. Cost/ Rev. $
359,106	**$4.52**	**$1,623,159**	**$46.28**	**$16,619,927**	**$0.0977**

EXHIBIT USPS-RT-17C: WINDOW SERVICE COSTS
RESPONSE TO OCA/USPS-76(a)

(1)	(2)	(3)	(4)
Number of Households	% Households Requiring Additional Trips to Purchase Stamps	Average Additional Trips Per Year	Total Number of Additional Transactions
101,800,000	42.60%	1	43,366,800

INCURRED COST OF ONE STAMP PURCHASE TRANSATION.

(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Mean Time for Single Component Transaction (seconds)	Seconds to Hour Conversion	Window Clerk Wage Rate ($/hour)	Misc Volume Variable Costs	Variability Factor	Waiting Time Adjustment	Piggyback Factor	Incurred Cost of Transaction ($)
54.40	0.000278	$ 29.67	1.066	46.12%	1.428	1.460	$ 0.4596

ANNUAL COST FROM STAMP PURCHASE TRANSACTIONS.

(13)
Annual Cost
$19,932,301

(1) USPS LR-I-116, The Household Diary Study, Fiscal Year 1998, page II-3
(2) Docket No. MC95-1, Library Reference MCR-88, page 18
(3) USPS Estimate (1 trip per year used as conservative estimate)
(4) (1) * (2) * (3)
(5) USPS LR-H-167, page 160
(6) 1/60 min/sec * 1/60 hr/min
(7) USPS LR-I-106, page VIII-2
(8) The overhead of Component 3.2 is considered volume variable with respect to window clerk activity costs. The miscellaneous volume variable cost factor is calculated by dividing overhead ($135.0 million) by total window clerk activity costs ($2,040.4 million). The result is calculated as follows: $135.0 / $2,040.4 = 0.066. See Docket No. R2000-1, Meehan WP-B, p. 56, column 1, lines 55 & 72.
(9) Docket No. R97-1 USPS-T-21, page 23
(10) The waiting time factor is calculated by dividing total window clerk waiting time ($287.0 million) by total attributable window service costs ($671.2 million). The result is calculated as follows: $287.0 / $671.2 = 0.428. See Docket No. R2000-1, Meehan WP-B, p. 58, line 50, columns 16 & 18.
(11) Docket No. R2000-1 USPS-T-21, Attachment 11, line 5
(12) (5) * (6) * (7) * (8) * (9) * (10) * (11)
(13) (4) * (12)

EXHIBIT USPS-RT-17C: WINDOW SERVICE COSTS
INCURRED COST OF ONE INQUIRY TRANSACTION.
RESPONSE TO OCA/USPS-76(a)

(1) Mean Time for Inquiry Transaction (seconds)	(2) Seconds to Hour Conversion	(3) Window Clerk Wage Rate ($/hour)	(4) Misc Volume Variable Costs	(5) Variability Factor	(6) Waiting Time Adjustment	(7) Piggyback Factor	(8) Incurred Cost of Transaction ($)
61.93	0.000278	$ 29.67	1.066	100.00%	1.000	1.460	$ 0.7945

(1) USPS LR-H-167, page 160
(2) 1/60 min/sec * 1/60 hr/min
(3) USPS LR-I-106, page VIII-2
(4) The overhead of Component 3.2 is considered volume variable with respect to window clerk activity costs. The miscellaneous volume variable cost factor is calculated by dividing overhead ($135.0 million) by total window clerk activity costs ($2,040.4 million). The result is calculated as follows: $135.0 / $2,040.4 = 0.066. See Docket No. R2000-1, Meehan WP B, p. 56, column 1, lines 55 & 72.
(5) An inquiry is considered to be 100 percent variable.
(6) An inquiry is not considered to incur any total window clerk waiting time costs.
(7) Docket No. R2000-1 USPS-T-21, Attachment 11, line 5
(8) (1) * (2) * (3) * (4) * (5) * (6) * (7)

EXHIBIT USPS-RT-17C: WINDOW SERVICE COSTS
INCURRED COST OF AN INQUIRY IN A MULTICOMPONENT TRANSACTION.
RESPONSE TO OCA/USPS-76(a)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Incremental Time for Inquiry Transaction (seconds)	**Seconds to Hour Conversion**	**Window Clerk Wage Rate ($/hour)**	**Misc Volume Variable Costs**	**Variability Factor**	**Waiting Time Adjustment**	**Piggyback Factor**	**Incurred Cost of Transaction ($)**
32.69	0.000278	$ 29.67	1.066	100.00%	1.000	1.460	$ 0.4194

(1) USPS LR-H-167, page 237
(2) 1/60 min/sec * 1/60 hr/min
(3) USPS LR-H-106, page VIII-2
(4) The overhead of Component 3.2 is considered volume variable with respect to window clerk activity costs. The miscellaneous volume variable cost factor is calculated by dividing overhead ($135.0 million) by total window clerk activity costs ($2,040.4 million). The result is calculated as follows: $135.0 / $2,040.4 = 0.066. See Docket No. R2000-1, Meehan WP B, p. 56, column 1, lines 55 & 72.
(5) An inquiry is considered to be 100 percent variable.
(6) An inquiry is not considered to incur any total window clerk waiting time costs.
(7) Docket No. R2000-1 USPS-T-21, Attachment 11, line 5
(8) (1) * (2) * (3) * (4) * (5) * (6) * (7)

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

OCA/USPS-77

Provide (or estimate) the number of annual retail window stamp transactions for the following quantities of stamps purchased in one transaction:

(a) Fewer than 10;
(b) 10 to 19;
(c) 20 to 49;
(d) 50 to 99; and
(e) 100 or more.

If the Postal Service does not have the information broken out by these quantities, provide available information on the number of window transactions by quantity of stamps per transaction. Include in your response the total number of annual retail window stamp transactions and the average quantity of stamps per transaction.

RESPONSE:

No data from which such estimates could be derived have been located.

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

OCA/USPS-78

For vending machine stamp sales, what quantities of stamps are available for purchase (i.e., how many stamps to a vending booklet)? Provide (or estimate) the number of each booklet quantity sold annually.

RESPONSE:

Booklet vending machines sell three sizes of booklets: 10, 15 or 20 stamps per booklet. Some coils are also sold through vending machines. In addition, individual stamps and strips of five stamps can be purchased at some vending machines. The Postal Service does not track stamp inventory in a manner which would permit the development of a reliable estimate of the number of each size booklet sold annually.

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

OCA/USPS-79

On average, how frequently do household consumers purchase stamps in retail window transactions?

RESPONSE:

The average frequency of household stamp purchases is not known, although it is estimated that household consumers visit a post office (for purposes no related to employment) 3.5 times per month, on average.

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

OCA/USPS-80.

Provide (or estimate) the number of stamp transactions (or, if the number of transactions is not available, the number of stamps sold and average quantity sold) annually through

(a) stamp-by-mail orders;
(b) online orders;
(c) vending machines; and
(d) consignment programs.

RESPONSE:

(a) Stamps by Mail: it is estimated that there are 8.4 million transactions per year.

(b) In FY99, the Postal Service processed 129,492 StampsOnLine orders; through AP 6 of FY2000, the Postal Service has processed 229,614 orders.

(c) See response to OCA/USPS-78.

(d) Consignment: it is estimated that 2.2 billion stamps are sold through consignment annually.

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

OCA/USPS-81. Provide the Postal Service's FY 2000 budget plan in full detail (i.e., by Accounting Period and mail class and subclass).

RESPONSE:

Please see attached.

US POSTAL SERVICE
FY 2000 REVENUE & VOLUME PLANS
MILLIONS

	MAIL VOLUME	REVENUE
FIRST	105,010	36,031
PRIORITY	1,251	4,815
EXPRESS	70	990
PERIODICALS	10,119	2,199
STANDARD A	90,097	15,415
PARCEL POST	359	1,101
INTERNATIONAL	980	1,587
OTHER	1,182	3,286
TOTALS	209,368	65,424

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 SOCL. CHAR.	UNION OR PROF. ORG.	CHURCH	VETERANS	EDUCATIONAL	CHARITIES	POLITICAL CAMPAIGN	AARP	MUSEUM	NON-PRFT. PUBLICATION	NON-PRFT. TV/ RADIO	THEATER/ CONCERT/ SYMPHONY	NON-PRFT. CLUB	NON-PRFT. MAIL ORDER	NON-PRFT. INTEREST GRPS.	NON-PRFT. LIBRARIES	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 100.0	1018 100.0	1018 100.0	1018 100.0	1018 100.0	1018 100.0	1018 100.0	1018 100.0	1018 100.0	1018 100.0	1018 100.0	1018 100.0	1018 100.0	1018 100.0	1018 100.0	1018 100.0	1018 100.0	1018 100.0
WEIGHTED PIECES (BASE)	3559 100.0	68 100.0	12 100.0	5 100.0	3 100.0	17 100.0	10 100.0	9 100.0	4 100.0	8 100.0	2 100.0	-	0 100.0	-	0 100.0	5 100.0	-	0 100.0
HAS PRESTAMPED OR POSTAGE PAID	1773 100.0 49.8 49.8	33 1.9 49.1 0.9	7 0.4 62.5 0.2	2 0.1 36.9 *	1 0.1 38.0 *	10 0.9 56.3 0.3	3 0.2 31.6 0.1	4 0.2 37.1 0.1	3 0.2 78.5 0.1	-	1 0.1 67.6 *	-	0 * 39.7 *	-	-	2 0.1 44.5 0.1	-	0 * 63.4 *
NEEDED A STAMP	1754 100.0 49.3 49.3	33 1.9 49.2 0.9	4 0.3 37.5 0.1	3 0.1 54.4 0.1	2 0.1 62.0 0.1	7 0.4 40.1 0.2	7 0.4 68.4 0.2	6 0.3 61.7 0.2	1 * 21.8 *	0 * 100.0 *	1 * 32.4 *	-	0 * 60.3 *	-	0 * 100.0 *	3 0.2 55.5 0.1	-	0 * 36.6 *
DON'T KNOW/NO ANSWER	31 100.0 0.9 0.9	1 3.6 1.7 *	-	0 1.3 8.7 *	-	1 2.0 3.7 *	-	0 0.3 1.1 *	-	-	-	-	-	-	-	-	-	-
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/USPS-87
Page 1 of 3

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LE 139
K RATE/STANDARD OR NONPROFIT MAIL RECEIVED
3 - DID THE RETURN ENVELOPE REQUIRE POSTAGE

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

BULK RATE OR NON PROFIT MAIL RECEIVED - INDUSTRY

	TOTAL	TOTAL SOCL. CHAR.	UNION 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-CERT/ SYM-PHONY	NON-PRFT. CLUB	NON-PRFT. MAIL ORDER	NON-PRFT. INTER EST GRPS.	NON-PRFT. LIBRA RIES	OTHER SOCL. CHAR.
EIGHTED SEHOLDS	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300
EIGHTED PIECES	14644	303	22	23	13	99	38	20	28	4	3	3	1	1	3	40	-	5
HTED SEHOLDS	1010 100.0	1010 100.0	1010 100.0	1010 100.0	1010 100.0	1010 100.0	1010 100.0	1010 100.0	1010 100.0	1010 100.0	1010 100.0	1010 100.0	1010 100.0	1010 100.0	1010 100.0	1010 100.0	1010 100.0	1010 100.0
HTED PIECES E)	3115 100.0	56 100.0	3 100.0	4 100.0	3 100.0	21 100.0	7 100.0	2 100.0	4 100.0	1 100.0	0 100.0	1 100.0	0 100.0	0 100.0	0 100.0	8 100.0	-	1 100.0
PRESTAMPED OR AGE PAID	1432 100.0 46.0 46.0	30 2.1 54.1 1.0	2 0.2 62.5 0.1	1 0.1 29.5 *	1 0.1 32.7 *	14 1.0 66.9 0.4	3 0.2 39.7 0.1	1 0.1 39.5 *	3 0.2 74.4 0.1	0 * 37.1 *	0 * 62.4 *	1 * 51.4 *	0 * 100.0 *	0 * 100.0 *	0 * 14.0 *	3 0.2 39.4 0.1	-	1 0.1 88.3 *
ED A STAMP	1646 100.0 52.8 52.8	24 1.5 42.8 0.8	1 0.1 37.5 *	2 0.1 58.6 0.1	2 0.1 67.3 0.1	6 0.4 31.5 0.2	4 0.3 60.3 0.1	1 0.1 57.4 *	1 0.1 25.6 *	0 * 43.6 *	0 * 37.6 *	1 * 48.6 *	-	-	0 * 86.0 *	4 0.3 51.1 0.1	-	0 * 11.7 *
T KNOW/NO ER	37 100.0 1.2 1.2	2 4.8 3.1 0.1	-	0 1.3 11.9 *	-	0 0.9 1.6 *	-	0 0.2 3.2 *	-	0 0.3 19.4 *	-	-	-	-	-	1 2.2 9.5 *	-	-
	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
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
RR	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

:: Percentage less than 0.05 printed as *.
CHILTON RESEARCH SERVICES NO.6156 MARCH 1998 WEIGHTED NUMBERS ARE REPORTED IN HUNDRED THOUSANDS

CHILTON RESEARCH SERVICES

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	TOTAL SOCL. CHAR.	UNION PROF.	CHU-RCH	VET ERANS	EDUC.	CHAR ITIES	POLI TICAL	AARP	MUS EUM	NON PROFT PUBL	NON PROFT TV/ RADIO	THEA TER/ CON CERT/ SYM-PHONY	NON PROFT CLUB	NON PRFT/ MAIL ORDR	NON PROFT INTE REST GRPS	PUB LIC LIBR-ARIES
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	1507	31	5	0.	4	11	1	4	2	0.	1	-	-	-	-	3	0.
POSTAGE PAID	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

CHILTON RESEARCH SERVICES NO. 5746 APRIL 1997 WEIGHTED NUMBERS EXPRESSED IN HUNDRED THOUSANDS

9140

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.

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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.

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OCA/USPS-91. Please provide a breakdown of volume for FYs 1998 and 1999 by category of mail by ODIS exit mode. Please reconcile the volumes in LR-I-95, file LR95del.xls, tab Delivery Volumes with the 1998 ODIS volumes.

RESPONSE:

The ODIS exit mode computations referred to in the interrogatory can no longer be computed. In FY 98 and FY 99, the ODIS sampling frame is stratified by "Mail Exit Point", rather than the earlier definition of "Final Delivery Unit." The old definition was in terms of box sections, city routes, etc., and volume could be estimated by these stratification criteria. Mail exit points, however, are larger aggregations of mail such as "all flats exiting a post office."

OCA/USPS-92. Please refer to witness Mayes's response to interrogatory NAA/USPS-T32-30(a). She states,

> [I]n a previous docket, the desire to reduce what had been viewed in an even more distant case as excessive cost coverage may have been thwarted . . . .

(a) Please identify all instances since (and including) Docket No. R90-1 in which a desire to mitigate a rate increase has been "thwarted." For example, in how many dockets has a desire to mitigate the rate effect of the letter-flat cost differential in Standard (A) been "thwarted"?

(b) Please identify all instances since (and including) Docket No. R90-1 in which a desire to mitigate a rate increase has been successful. For example, in how many dockets has a desire to mitigate the rate effect of the letter-flat cost differential in Standard (A) been successful?

Response:

(a) and (b) The cited response was referring to mitigating cost coverage decreases, not to mitigating rate increases. In the development of its rate proposals, the Postal Service must balance the proposals for all subclasses in the effort to design rates which will achieve financial breakeven while complying with the statutory pricing criteria. At the conclusion of hearings on both the Postal Service's proposals and the counter-proposals offered by intervenors, the Commission must perform the same balancing act with both the Postal Service's and the intervenors' proposals to recommend rates which will permit the postal Service to achieve financial breakeven. At both stages of rate development, tradeoffs must be made.

In the context of the response cited, the reference was to internal postal decisions which were made in the process of developing the proposed rate levels and proposed rates. The reference was not intended to be to results

which may have occurred because of intervenor testimony or Commission decisions which were not consistent with the Postal Service's proposals. Differences between the Postal Service's proposals and the rates which were ultimately recommended by the Commission would be somewhat easier to document. Differences between what the Postal Service would have liked to propose for each subclass, had the rate design for that subclass been determined in isolation -- or for each rate element, had that rate element been designed in isolation -- and the rates proposed by the Postal Service would be almost impossible to document.

While it would be possible to go through the testimonies and interrogatory responses of each and every postal rate level and pricing witness in the cases since and including R90-1 to see if and where each witness indicated that the proposals being presented were not the proposals that would have been desirable had that rate been determined in isolation, it is likely that many more such decisions would have been made as the case was being prepared. In virtually any case, there are trade-offs which required that some rates end up higher than would have been viewed, in isolation, as optimal and some rates end up lower than would have been viewed, in isolation, as optimal.

For example, in response to subpart (a) of this question, pricing criterion 3 dictates that each subclass of mail must cover its costs. In many rate cases, adherence to the dictates of criterion 3 has led to some rate increases which

were higher than would have been viewed as optimal, given other criteria such as criterion 4, the impact on mailers. The dictates of the Revenue Forgone Reform Act have led to instances where the rates for preferred rate categories have increased more than might have been necessary to satisfy the pricing criteria. In the absence of the RFRA, the Postal Service might not have proposed rate increases of the magnitudes proposed.

With regard to subpart (b) of this question, in both Docket No. R94-1 and R97-1, the Postal Service proposed rate increases in a narrow range around the systemwide average. In this docket, the Postal Service proposes to mitigate the rate increases for several subclasses for which the costs have increased significantly since the last case.

The Postal Service and the Postal Rate Commission are, in general, afforded sufficient flexibility in rate design to be able to develop systems of rates which are fair and equitable while permitting the Postal Service to achieve financial breakeven. With regard to the specific rate design example mentioned in this question, the Postal Service has been successful in capping the rate differential between letters and flats in Standard Mail (A) since the introduction of this rate differential.

Response of United States Postal Service
to
Interrogatories of the Office of the Consumer Advocate

OCA/USPS-94. *Please refer to LR-I-1 at 3-13 and B-18-19. Are there any costs associated with activity codes 5050 and 6050? If so, please provide the volume variability estimates associated with those codes.*

Response:

Yes. The volume variability estimate associated with code 5050 and 6050 is 50.44%.

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OCA/USPS-95. If there are costs associated with activity codes 5050 and 6050, please provide them and explain where these IOCS costs are placed in the cost segments and components (*i.e.*, USPS-T14K).

RESPONSE

The Base Year 1998 costs for activity codes 5050 and 6050 are $11,958,000 and $1,206,500, respectively. See USPS-T-11, Workpaper-B3. These costs reside in Cost Segment 3, Component 40, Window Services (3.2).

Please note, however, that activity codes go into the formulation of cost components in the Base Year. Base Year cost components are then rolled forward to the Test Year. As such, activity codes do not actually exist in the Test Year.

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OCA/USPS-96. Please explain where the IOCS costs of activity code 5060 are placed in the cost segments and components (i.e., USPS-T14K).

RESPONSE

Cost Segment 3, Component 40, Window Services (3.2).

Please note, however, that activity codes go into the formulation of cost components in the Base Year. Base Year cost components are then rolled forward to the Test Year. As such, activity codes do not actually exist in the Test Year.

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OCA/USPS-97. Please explain where the IOCS costs of activity codes 5090, 6060 and 6090 are placed in the cost segments and components (*i.e.*, USPS-T14K).

RESPONSE

Cost Segment 3, Component 40, Window Services (3.2).

Please note, however, that activity codes go into the formulation of cost components in the Base Year. Base Year cost components are then rolled forward to the Test Year. As such, activity codes do not actually exist in the Test Year.

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

OCA/USPS-98. The following questions relate to the prepared remarks of Postmaster General Henderson at the National Postal Forum in Nashville, Tennessee, March 20, 2000. Mr. Henderson stated, "Looking forward, I have instructed my team to launch additional initiatives that will reduce our expenses by at least $4 billion by 2004. This is above the billion dollars we cut in 1999, and it is a target for which we will all be accountable."

(a) Please provide copies of the memoranda, other documents, and back-up materials by which the Postmaster General has instructed his team to launch the additional initiatives referred to in his remarks.

(b) Do the initiatives contemplate a saving in expenses of $1 billion in each of the next four years leading up to 2004, *i.e.* 2000 through 2003. If not, please indicate the years in which the savings are expected to be realized and the amounts of the savings expected for each year.

RESPONSE:

(a-b) Mr. Henderson's speech referred to three critical challenges. The first was affordability. In relation to the affordability challenge, he stated "Looking forward, I have instructed my team to launch additional initiatives . . ." These initiatives are a challenge to Postal Management and they have yet to be specifically defined beyond the initial targets established for administrative activities, purchasing, transportation and breakthrough productivity in our processing operations. As such, it is premature to speculate on the years in which the savings are expected to be realized and the amounts of the savings expected for each year.

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OCA/USPS-99. Mr. Henderson states in his remarks, "We have completed a comprehensive study of activities and transactions...." Please provide that study together with all supporting documents.

(a) Does the study conclude, as Mr. Henderson's remarks suggest, that savings can be realized of approximately $100 million per year over the next four years from overhead reductions? If not, please explain.

(b) If any savings from these overhead reductions are included in the Postal Service's projections for the interim years or for the test year, please indicate the cost segment, cost component, and the years where the savings are reflected.

(c) Does the study conclude, as Mr. Henderson's remarks suggest, that savings can be realized of approximately $100 million per year over the next four years from more efficient paperwork and purchasing? If not, please explain.

(d) If any savings from more efficient paperwork and purchasing are included in the Postal Service's projections for the interim years or for the test year, please indicate the cost segment, cost component, and the years where that savings is reflected.

(e) Does the study conclude, as Mr. Henderson's remarks suggest, that savings can be realized of approximately $100 million per year over the next four years from reducing transportation costs? If not, please explain.

(f) If any of these savings from reducing transportation costs are included in the Postal Service's projections for the interim years or for the test year, please indicate the cost segment, cost component, and the years where that savings is reflected.

(g) Does the domestic air cost reduction indicated in witness Kashani's Exhibit 14A, as revised 2/18/00 at 3, cost segment 15, cost component 142, for FY 2000 reflect any or all of the transportation cost reduction contemplated in Mr. Henderson's remarks?

(h) How much savings does the study conclude can be realized by the reduction of steps in the distribution and handling of mail? Please identity the years in which those savings expected to be realized and the amounts of the savings expected for each year.

(i) If any of these savings from reducing the steps in the distribution and handling of mail are included in the Postal Service's projections for the interim years or for the test year, please indicate the cost segment, cost component, and the years where that savings is reflected.

(j) Does the study conclude, as Mr. Henderson's remarks suggest, that savings can be realized of approximately $700 million per year over the next four years from increasing productivity in the Postal Service processing system? If not, please explain.

(k) If any of these savings from increased productivity are included in the Postal Service's projections for the interim years or for the test year, please indicate the cost segment, cost component, and the years where that savings is reflected.

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OCA/USPS-99. continued

RESPONSE:

The study mentioned by the Postmaster General is a Transactions Survey that is a work in process. It will ultimately list transactions/activities performed in administrative/overhead functions in Headquarters, Headquarters Field Service Units, Area offices, and District and Plant administrative functions. Once completed, the transactions/activities will be analyzed to identify which might be candidates for elimination, reduction, automation, consolidation or contracting out. This analysis will incorporate benchmarking activities with "best in class" organizations. As part of this evaluation, process/system changes necessary to effect potential cost reductions will be identified and an implementation plan will be prepared.

The Transactions Survey does not address the purchasing, transportation or field operations/processing/distribution/mail handling functions. The survey of, and recording of data for, Headquarters and Headquarters Field Service units is complete, but the analysis is just beginning. This analysis would be part of the Postmaster General's instruction that his "...team launch additional initiatives to reduce our expenses...". In addition, Area Office and District/Plant surveys have not yet begun. It is expected that the full Transactions Survey including development of an implementation plan will not be completed until the December 2000/January 2001 time frame. A copy of the survey instrument is attached.

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OCA/USPS-99. continued

(a) As referenced above, the survey is a work-in-process. The $100 million savings is part of the "affordability" challenge addressed by Mr. Henderson and was made in reference to his statement that "...I have instructed my team to launch additional initiatives that will reduce our expenses...".

(b) As referenced above, the specific overhead savings have not yet been identified. Accordingly, they are not incorporated in the interim years or the test year. However, as noted in the responses to OCA/USPS-T9-1e and OCA/USPS-T9-46, Fiscal Year 2000 includes various cost reductions in the form of "local management initiatives" and other cost reductions such as "absorb inflation" in categories that would be considered part of the "affordability" challenge.

(c-d) Please see above reference and responses to (a) and (b). The survey does not address purchasing. However, the principles and process for the challenge on "affordability" relating to overhead also apply to the challenge relating to more efficient paperwork and purchasing.

(e) The survey does not address transportation.

(f) As noted in the response to OCA/USPS-T9-10, Fiscal Year 2000 includes cost reductions identified as "absorb inflation" in categories that would be considered part of the "affordability" challenge. Transportation savings would be included as part of absorb inflation.

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OCA/USPS-99. continued

(g) The cost reductions referred to would be considered in the spirit of the reductions contemplated in Mr. Henderson's remarks.

(h) The survey does not address distribution and handling of mail.

(i) Please see response to (b). Local management initiatives could in fact incorporate the type of savings envisioned in savings resulting from distribution and handling of mail.

(j) As referenced above, the survey does not address productivity in the Postal Service processing system.

(k) Local management initiatives could in fact incorporate the type of savings envisioned in savings resulting from increased productivity.

ACTIVITIES LISTING

Attachment to Response to
OCA/USPS-99

ORGANIZATION: _____

ORG	DEPT	(A) Name of Office/Unit	(B) Total Staff	(C) FY 2000 Total NP Budget ($mil)	(D) Indicate HDQ or HFSU	(E) Finance Number	(F) Location (either Washington, DC or other city, state)	(G) List all activities performed in this unit/office** (One activity per line)	(G1) Enterprise Map Ref. Num.	(H) # Staff (FTE) for each activity in Col. G	(I) # Contractors for each activity in Col. G	(J) NP Budget ($mil) for each activity in Col. G	(K) Select Category Best Describing Activity: Strategic/ Corporate Policy	(L) Transaction in Support of Strategic/ Corp Policy	(M) Tactical/ Field Support	(N) Transaction in Support of Field Support

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OCA/USPS-100. Are any possible savings indicated by either the initiatives described by Mr. Henderson or the comprehensive study, but not referred to in the above questions, reflected in the Postal Service application in this docket? If so, please indicate the nature of the cost savings and provide the cost segment, cost component, and the years where that savings is reflected.

RESPONSE:

No, see response to OCA/USPS-99.

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

OCA/USPS-101. Please explain the connection, if any, between the comprehensive study referred to by Mr. Henderson and the four reports of the Office of the Inspector General that identified $1.1 billion in savings and potential cost avoidance as discussed in interrogatory Postcom/USPS-1 and the Postal Service response thereto.

RESPONSE:

There is no direct relationship to these items. See response to OCA/USPS-99 and PostCom/USPS-1.

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

OCA/USPS-102. Mr. Henderson stated in this remarks, "Already, 11,000 career vacancies have been absorbed through attrition, and that number will reach at least 20,000 as we move forward."

(a) Please indicate where the reduction in workforce of 11,000 is reflected in the exhibits and workpapers of the application.

(b) Please indicate the years in which the additional reductions of "at least 20,000" employees are planned to occur. To the extent additional reductions occur during the interim years or the test year, please show where that is taken into account in the exhibits and workpapers of the application.

RESPONSE:

(a) The 11,000 reduction referred to by Mr. Henderson relates to the number of career employees from the peak in Accounting Period 9 of Fiscal Year 1999 to Accounting Period 6 of Fiscal Year 2000. Based on the fact that the net incomes reflected in this filing for FY's 99 and 2000 closely approximate actual Fiscal Year 1999 results and the FY 2000 Operating Budget, the impact of these reductions has been implicitly accommodated.

(b) Please see response to OCA/USPS-99 and (a) above

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OCA/USPS-103

Refer to OCA/USPS-71 and the response thereto file on March 20, 2000. Provide any and all information about any additional or incremental costs associated with the changeover to new rates in January 1999, including any data indicating the nature of the additional or incremental costs incurred.

RESPONSE:

The Postal Service does not have data which isolate the additional or incremental costs associated with the changeover to new rates in January 1999.

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OCA/USPS-106 Please refer to the response to OCA/USPS-69.

(a) Please provide the same information for GFY 1998.

(b) Please provide the information requested in OCA/USPS-69 and in part (a) of this interrogatory by shape - i.e., letters, flats, parcels.

(c) Please confirm that the Postal Service earns additional revenue on nonstandard single-piece First Class Letters of approximately 50 percent of the revenue it would earn if all pieces paid proper postage (net overpayments of $21.5 million versus approximately $41.8 million if $380 million pieces paid $0.11). If you do not confirm, please provide the correct percentages and derivations for GFYs 1998 and 1999.

RESPONSE:

(a) See Attachments 1-3.

(b) See Attachments 4-9 for GFY 1999 and 10-15 for GFY 1998.

(c) Not confirmed. For First-Class nonstandard letters, the percentages are calculated as follows:

	GFY 98	GFY 99
Total Nonstd Letter Volume	64,552,853	72,673,950
Nonstd Surcharge	$0.11	$ 0.11
Total Nonstd Postage	$ 7,100,814	$ 7,994,135
Over Paid Revenue	$ 2,536,236	$ 2,012,692
Short Paid Revenue	$ 595,337	$ 743,888
Net Over/Short Paid Revenue	$ 1,940,899	$ 1,268,804
Net Revenue/Total Nonstd Postage	27.33%	15.87%

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FIRST CLASS SINGLE-PIECE LETTERS, FLATS, AND IPPs
GFY 1998

Short Paid Amount/Pc	GFY 1998 Volume	Short Paid Revenue
$0.010	3,293,519	32,934
$0.110	789,451	86,767
$0.120	17,343,861	2,081,260
$0.130	1,781,599	231,287
$0.220	1,193,522	262,526
$0.230	260,917,811	60,011,087
$0.320	41,152,056	13,168,352
$0.330	782,404	258,166
$0.440	146,885	64,629
$0.460	13,906,089	6,396,801
$0.660	92,563	61,092
$0.690	4,224,167	2,914,675
$0.880	371,877	327,251
$0.920	2,012,346	1,851,358
Varies	136,695,735	33,301,791
	484,703,885	**121,049,976**

Over Paid Amount/Pc	GFY 1998 Volume	Over Paid Revenue
$0.090	247,611,219	22,285,010
$0.110	14,648,662	1,611,384
$0.220	4,768,490	1,049,067
$0.230	442,100,507	101,683,200
$0.310	2,075,658	643,455
$0.320	131,493,217	42,077,829
$0.330	912,231	301,101
$0.440	98,200	43,208
$0.460	24,810,484	11,412,815
$0.660	361,090	238,320
$0.690	4,969,068	3,428,657
$0.880	25,714	22,628
$0.920	3,082,695	2,836,080
Varies	292,014,592	101,994,977
	1,168,971,827	**289,627,731**

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

FIRST CLASS SINGLE-PIECE NONSTANDARD LETTERS, FLATS, AND IPPs
GFY 1998

Short Paid Amount/Pc	GFY 1998 Volume	Short Paid Revenue
$0.110	27,541,412	3,029,556
Varies	2,742,263	284,016
	30,283,675	**3,313,572**

Over Paid Amount/Pc	GFY 1998 Volume	Over Paid Revenue
$0.110	61,501	6,748
$0.120	55,093,908	6,611,268
$0.210	16,766,700	3,521,007
$0.220	428,071	94,176
Varies	15,617,173	4,958,216
	87,967,353	**15,191,415**

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FIRST CLASS SINGLE-PIECE CARDS
GFY 1998

Short Paid Amount/Pc	GFY 1998 Volume	Short Paid Revenue
$0.200	1,796,077	359,149
Varies	2,607,386	60,483
	4,403,463	**419,632**

Over Paid Amount/Pc	GFY 1998 Volume	Over Paid Revenue
$0.120	146,037,655	17,524,519
$0.130	96,279	12,516
Varies	26,681,267	1,456,707
	172,815,201	**18,993,742**

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FIRST CLASS SINGLE-PIECE LETTERS
GFY 1999

Short Paid Amount/Pc	GFY 1999 Volume	Short Paid Revenue
$0.010	238,655,560	2,386,556
$0.110	10,918,859	1,201,215
$0.120	4,828,382	579,774
$0.130	8,676,585	1,127,657
$0.220	121,285,728	26,682,939
$0.230	48,330,269	11,115,908
$0.320	13,889,049	4,443,729
$0.330	22,042,286	7,273,581
$0.440	3,944,733	1,735,683
$0.460	794,939	365,672
$0.660	711,164	469,368
$0.690	140,153	96,705
$0.880	158,682	139,640
$0.920	12,966	11,929
Varies	67,070,788	7,660,704
	541,460,143	**65,291,060**

Over Paid Amount/Pc	GFY 1999 Volume	Over Paid Revenue
$0.090	49,082,590	4,417,492
$0.110	111,315,931	12,244,752
$0.220	218,567,588	48,084,869
$0.230	77,499,382	17,824,858
$0.310	41,292,681	12,800,686
$0.320	41,896,597	13,406,911
$0.330	85,255,865	28,134,436
$0.440	16,777,487	7,382,094
$0.460	2,885,917	1,327,522
$0.660	5,137,125	3,390,503
$0.690	215,814	148,912
$0.880	429,242	377,733
$0.920	483,067	444,422
Varies	161,898,415	38,971,632
	812,737,701	**188,956,822**

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

FIRST CLASS SINGLE-PIECE FLATS
GFY 1999

Short Paid Amount/Pc	GFY 1999 Volume	Short Paid Revenue
$0.010	1,462,847	14,628
$0.110	15,887,212	1,747,538
$0.120	2,019,988	242,399
$0.130	1,340,316	174,241
$0.220	54,954,698	12,090,034
$0.230	*19,325,966*	*4,444,972*
$0.320	198,487	63,516
$0.330	3,990,664	1,316,919
$0.440	6,709,434	2,952,151
$0.460	2,622,608	1,206,400
$0.660	2,733,577	1,804,160
$0.690	969,608	669,030
$0.880	1,333,210	1,173,221
$0.920	471,514	433,793
Varies	43,148,051	18,731,113
	157,168,180	**47,064,115**

Over Paid Amount/Pc	GFY 1999 Volume	Over Paid Revenue
$0.090	22,310,065	2,007,906
$0.110	51,541,901	5,669,636
$0.220	113,439,169	24,956,617
$0.230	46,168,695	10,618,800
$0.310	1,054,651	326,942
$0.320	1,938,655	620,370
$0.330	8,426,026	2,780,589
$0.440	19,983,865	8,792,874
$0.460	4,080,345	1,876,959
$0.660	4,718,247	3,114,043
$0.690	1,590,964	1,097,765
$0.880	2,401,341	2,113,180
$0.920	657,912	605,279
Varies	161,159,865	41,756,505
	439,471,701	**106,337,465**

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE
(REVISED 5/3/2000)**

OCA/USPS-106 Please refer to the response to OCA/USPS-69.

(a) Please provide the same information for GFY 1998.

(b) Please provide the information requested in OCA/USPS-69 and in part (a) of this interrogatory by shape - i.e., letters, flats, parcels.

(c) Please confirm that the Postal Service earns additional revenue on nonstandard single-piece First Class Letters of approximately 50 percent of the revenue it would earn if all pieces paid proper postage (net overpayments of $21.5 million versus approximately $41.8 million if $380 million pieces paid $0.11). If you do not confirm, please provide the correct percentages and derivations for GFYs 1998 and 1999.

(d) Is net overpayment of all First Class postage included in the Postal Service's test year revenue calculations? If so, where?

RESPONSE:

(a) See revised Attachments 1-3.

(b) See Attachments 4-9 for GFY 1999 and revised Attachments 10-15 for GFY 1998.

(c) Not confirmed. For First-Class nonstandard letters, the percentages are calculated as follows:

	GFY 98	GFY 99
Total Nonstd Letter Vol	64,552,853	72,673,950
Nonstd Surcharge	$.0.11	$0.11
Total Nonstd Postage	$7,100,814	$7,994,135
Overpaid Revenue	$2,536,236	$2,012,692
Shortpaid Revenue	$595,337	$743,888
Net Over/Shortpaid	$1,940,899	$1,268,804
Net Revenue/		
Total Nonstd Postage	27.33%	15.87%

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

FIRST CLASS SINGLE-PIECE IPPs
GFY 1999

Short Paid Amount/Pc	GFY 1999 Volume	Short Paid Revenue
$0.010	189,552	1,896
$0.110	828,612	91,147
$0.120	157,764	18,932
$0.130	78,327	10,183
$0.220	5,954,328	1,309,952
$0.230	2,312,991	531,988
$0.320	18,170	5,814
$0.330	333,995	110,218
$0.440	854,213	375,854
$0.460	354,897	163,253
$0.660	345,786	228,218
$0.690	138,736	95,728
$0.880	184,605	162,453
$0.920	90,024	82,822
Varies	5,447,540	3,086,479
	17,289,540	**6,274,937**

Over Paid Amount/Pc	GFY 1999 Volume	Over Paid Revenue
$0.090	1,646,084	148,148
$0.110	4,206,671	462,734
$0.220	12,740,856	2,802,988
$0.230	5,382,156	1,237,895
$0.310	121,252	37,588
$0.320	165,583	52,987
$0.330	1,063,336	350,901
$0.440	1,981,304	871,774
$0.460	369,293	169,875
$0.660	580,417	383,076
$0.690	166,565	114,930
$0.880	228,385	200,979
$0.920	66,796	61,453
Varies	17,449,333	6,322,453
	46,168,031	**13,217,781**

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

FIRST CLASS SINGLE-PIECE NONSTANDARD LETTERS
GFY 1999

Short Paid Amount/Pc	GFY 1999 Volume	Short Paid Revenue
$0.110	6,460,773	710,685
Varies	833,292	33,203
	7,294,065	**743,888**

Over Paid Amount/Pc	GFY 1999 Volume	Over Paid Revenue
$0.110	2,249,513	247,446
$0.120	1,989,977	238,797
$0.210	1,319,547	277,105
$0.220	2,082,147	458,072
Varies	3,709,546	791,272
	11,350,730	**2,012,692**

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

FIRST CLASS SINGLE-PIECE NONSTANDARD FLATS
GFY 1999

Short Paid Amount/Pc	GFY 1999 Volume	Short Paid Revenue
$0.110	31,398,905	3,453,835
Varies	6,323,306	423,882
	37,722,211	**3,877,717**

Over Paid Amount/Pc	GFY 1999 Volume	Over Paid Revenue
$0.110	49,454,573	5,440,003
$0.120	16,019,952	1,922,394
$0.210	3,117,021	654,574
$0.220	9,769,273	2,149,240
Varies	15,635,034	6,275,286
	93,995,853	**16,441,497**

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

FIRST CLASS SINGLE-PIECE NONSTANDARD IPPs
GFY 1999

Short Paid Amount/Pc	GFY 1999 Volume	Short Paid Revenue
$0.110	1,678,815	184,670
Varies	369,619	11,076
	2,048,434	**195,746**

Over Paid Amount/Pc	GFY 1999 Volume	Over Paid Revenue
$0.110	1,792,914	197,221
$0.120	571,705	68,605
$0.210	580,501	121,905
$0.220	962,524	211,755
Varies	6,852,572	5,633,218
	10,760,216	**6,232,704**

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

FIRST CLASS SINGLE-PIECE LETTERS
GFY 1998

Short Paid Amount/Pc	GFY 1998 Volume	Short Paid Revenue
$0.010	967,896	9,678
$0.110	522,140	57,376
$0.120	11,595,767	1,391,492
$0.130	998,611	129,502
$0.220	523,441	115,108
$0.230	184,260,189	42,379,843
$0.320	40,892,752	13,085,377
$0.330	122,080	40,286
$0.440	773	340
$0.460	3,902,324	1,795,069
$0.660	9	6
$0.690	320,484	221,134
$0.880	331	291
$0.920	269,302	247,758
Varies	70,138,969	8,978,292
	314,515,068	**68,451,552**

Over Paid Amount/Pc	GFY 1998 Volume	Over Paid Revenue
$0.090	180,338,205	16,230,438
$0.110	8,541,406	939,586
$0.220	591,325	130,090
$0.230	287,361,639	66,093,285
$0.310	63,027	19,539
$0.320	126,827,029	40,584,649
$0.330	490,531	161,940
$0.440	721	317
$0.460	11,524,314	5,301,184
$0.660	251,624	166,072
$0.690	1,442,103	995,051
$0.880	9,631	8,475
$0.920	1,535,965	1,413,088
Varies	142,728,212	48,863,552
	761,705,732	**180,907,266**

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

FIRST CLASS SINGLE-PIECE FLATS
GFY 1998

Short Paid Amount/Pc	GFY 1998 Volume	Short Paid Revenue
$0.010	2,073,520	20,735
$0.110	232,748	25,598
$0.120	5,517,483	662,098
$0.130	536,544	69,747
$0.220	608,636	133,900
$0.230	68,753,190	15,813,225
$0.320	188,674	60,376
$0.330	602,785	198,892
$0.440	142,460	62,682
$0.460	8,996,408	4,138,348
$0.660	83,313	54,987
$0.690	3,511,304	2,422,800
$0.880	296,480	260,902
$0.920	1,396,405	1,284,692
Varies	59,182,598	21,279,208
	152,122,548	**46,488,190**

Over Paid Amount/Pc	GFY 1998 Volume	Over Paid Revenue
$0.090	62,076,162	5,586,855
$0.110	5,829,046	641,195
$0.220	3,574,080	786,298
$0.230	139,430,871	32,069,076
$0.310	1,717,818	532,524
$0.320	4,289,201	1,372,544
$0.330	360,454	118,950
$0.440	86,849	38,214
$0.460	12,154,419	5,591,026
$0.660	96,607	63,761
$0.690	3,212,748	2,216,796
$0.880	11,947	10,513
$0.920	1,399,681	1,287,707
Varies	131,501,470	46,722,723
	365,741,353	**97,038,182**

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

FIRST CLASS SINGLE-PIECE IPPs
GFY 1998

Short Paid Amount/Pc	GFY 1998 Volume	Short Paid Revenue
$0.010	252,103	2,521
$0.110	34,563	3,793
$0.120	230,611	27,670
$0.130	246,444	32,038
$0.220	61,445	13,518
$0.230	7,904,432	1,818,019
$0.320	70,630	22,599
$0.330	57,539	18,988
$0.440	3,652	1,607
$0.460	1,007,357	463,384
$0.660	9,241	6,099
$0.690	392,379	270,741
$0.880	75,066	66,058
$0.920	346,639	318,908
Varies	7,374,168	3,044,291
	18,066,269	**6,110,234**

Over Paid Amount/Pc	GFY 1998 Volume	Over Paid Revenue
$0.090	5,196,852	467,717
$0.110	278,210	30,603
$0.220	603,085	132,679
$0.230	15,307,997	3,520,839
$0.310	294,813	91,392
$0.320	376,987	120,636
$0.330	61,246	20,211
$0.440	10,630	4,677
$0.460	1,131,751	520,605
$0.660	12,859	8,487
$0.690	314,217	216,810
$0.880	4,136	3,640
$0.920	147,049	135,285
Varies	17,784,910	6,408,702
	41,524,742	**11,682,283**

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

FIRST CLASS SINGLE-PIECE NONSTANDARD LETTERS
GFY 1998

Short Paid Amount/Pc	GFY 1998 Volume	Short Paid Revenue
$0.110	4,955,500	545,105
Varies	770,329	50,232
	5,725,829	**595,337**

Over Paid Amount/Pc	GFY 1998 Volume	Over Paid Revenue
$0.110	3,505	368
$0.120	5,651,627	678,195
$0.210	3,966,860	833,041
$0.220	0	0
Varies	4,527,520	1,024,632
	14,149,512	**2,536,236**

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

FIRST CLASS SINGLE-PIECE NONSTANDARD FLATS
GFY 1998

Short Paid Amount/Pc	GFY 1998 Volume	Short Paid Revenue
$0.110	21,615,197	2,377,672
Varies	1,924,679	227,685
	23,539,876	**2,605,357**

Over Paid Amount/Pc	GFY 1998 Volume	Over Paid Revenue
$0.110	57,996	6,380
$0.120	46,864,186	5,623,702
$0.210	11,208,159	2,353,713
$0.220	70,854	15,588
Varies	10,269,926	3,531,910
	68,471,121	**11,531,293**

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

OCA/USPS-106.
(d) Is net overpayment of all First Class postage included in the Postal Service's test year revenue calculations? If so where?

RESPONSE: Historically, the net overpayment of First Class postage in the letters subclass was included in the estimated volume of additional ounces. This was because all "residual revenue" was attributed to additional ounces by dividing such residual revenue by the prevailing additional ounce rate. For example, for First-Class single-piece, one would first sum the revenue obtained by: (1) multiplying the number of single pieces by the first-ounce rate, and (2) multiplying the number of nonstandard pieces by the nonstandard surcharge. Then, one would subtract this calculated sum from the postage revenue in RPW and attribute the resulting difference to additional ounces.

As a result of this approach, the historical estimates of additional ounces included both "physical" additional ounces associated with actual weight and "revenue" additional ounces associated with residual revenue. For workshared mail, the effect of this approach on additional ounces was modest. However, for single-piece mail, this calculation created a significant number of additional ounces. For example, according to the 1998 billing determinants (USPS-LR-I-125 at Table A-1) there was $182 million of unexplained revenue in GFY 1998 ($21,807,405 thousand less $21,625,308 thousand). This would result in 792 million additional ounces associated with revenue under the historical method ($182 million divided by 23 cents per additional ounce at the time). This approach did make intuitive sense since much of this unexplained revenue was most likely explained by single-piece mailers using first-ounce stamps for additional ounce postage.

For this docket, witness Fronk sought to improve the historical method by obtaining the distribution of single-piece mail by weight step from domestic RPW and the distribution of workshared mail by weight step from mailing statement data. He used this approach in developing the 1998 First-Class Mail billing determinants, thus obtaining a physical measure of additional ounces tied

RESPONSE OF U.S. POSTAL SERVICE TO
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RESPONSE to OCA/USPS-106 (d) (continued)

specifically to weight. This approach also created revenue adjustment factors for the letters subclass which were used to adjust revenue calculated using the billing determinants to 1998 RPW revenue totals, as shown in the First-Class Mail billing determinants for 1998.

In preparing the billing determinant portion of his workpaper, witness Fronk erred by not including these newly calculated revenue adjustment factors in his test year revenue calculation, thereby not properly reflecting the results of his improved additional ounce calculation. For the workshared portion of the letters subclass, the effect is relatively modest, as quantified below. However, for single-piece mail the potential impact of this is more significant due to the net overpayment of postage by mailers using first-ounce stamps.

Witness Fronk is filing errata to his workpaper and his testimony dated April 17, 2000 to incorporate the newly calculated revenue adjustment factors for the letters subclass in the test year revenue calculation. Because the factors for the cards subclass have a *de minimis* impact (approximately $1 million in revenue), he will not adjust the cards subclass revenue calculation. The revenue adjustment factor for the cards subclass is small because cards paid at the letter rate have long been included directly in the billing determinants.

In addition to incorporating revenue adjustment factors, he is making a second change, also related to additional ounces. This second change revises the approach used to calculate Test Year single-piece additional ounces in this docket in favor of returning to the approach used by the Postal Service and the Commission in past dockets. This second change is prompted by his examination of the GFY 1999 versus GFY 1998 weight distribution data for single piece provided in his April 4 response to OCA/USPS-T33-13 (f), as discussed below.

Estimating single-piece additional ounces in the test year for this docket is complicated by: (1) the change in the maximum weight for First-Class Mail from

RESPONSE OF U.S. POSTAL SERVICE TO
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RESPONSE to OCA/USPS-106 (d) (continued)

11 ounces to 13 ounces, (2) the elimination of Standard (A) single piece on January 10, 1999 (Standard (A) single piece is typically heavier than existing First-Class), and (3) the fact that historical additional ounce volumes (before 1997) include additional ounces associated with residual or unexplained revenue.

Both the as-filed calculation and the revised method take the same approach to the breakpoint change and the elimination of Standard (A) single-piece, as indicated in his workpaper (revised page 7). The approaches differ in their treatment of the 0-11 ounce weight range.

In past dockets, it was assumed that the additional ounces per piece in the historical 0-11 ounce weight range for single-piece mail would remain the same between the base year and the test year. For this docket, the as-filed approach assumed that the additional ounces per piece for all mail in the letters subclass as a whole (both single-piece and workshared) and for the workshared portion of the letters subclass would remain the same between the base year and the test year. The result was an increase in the additional ounces per piece for the single-piece portion of the letters subclass between 1998 and the test year. This result was consistent with the observed increase in additional ounces per single piece between 1997 and 1998, the first year a comparison can actually be made between "physical" measures of additional ounces. This result was also consistent with mail migrating from the single piece category to the workshare category in response to worksharing incentives. If the pieces migrating from single-piece to workshare were typical of existing workshare mail pieces, the migrating pieces would be lighter than the average piece of single piece mail. The average weight of the remaining single-piece mail would increase.

This approach made intuitive sense and was consistent with data available when his workpaper was being developed. However, the newly available 1999 data filed by witness Fronk in response to OCA/USPS-T33-13 (f), indicate that the additional ounces per piece in this 0-11 ounce weight range

RESPONSE OF U.S. POSTAL SERVICE TO
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RESPONSE to OCA/USPS-106 (d) (Continued)

have remained almost constant between 1998 and 1999. There were 0.3378 ounces per piece per the 1998 billing determinants, and 0.3387 ounces per piece in 1999 per the attachment to OCA/USPS-T33-13 (f)[1]. Note that this 1999 figure may be somewhat overstated because the calculation does not attempt to adjust for heavier Standard (A) mail pieces migrating into First-Class single-piece.

If the as-filed approach had been applied to 1999, it would have resulted in approximately 350 million more additional ounces in 1999 for the 0-11 ounce weight range than actually occurred. As a result, the revised approach for 0-11 ounce pieces set forth on April 17, 2000 in the errata to his workpaper applies the 1998 additional ounce percentage to the test year (see Fronk workpaper at *revised page 7*), *consistent with Postal Service and Commission precedent*. It may be that the as-filed approach overestimated 1999 additional ounces because new pieces are also entering both the single-piece and workshare mailstreams, in addition to migrating between single-piece and workshare. This makes the situation quite dynamic and the associated weight changes hard to predict.

The increase in weight per piece assumed in the as-filed calculation of additional ounces for 0-11 ounce pieces was also accompanied in the filing by a final cost adjustment (that is, a cost adjustment after the rollforward was run) to account for the greater costs of processing heavy pieces. This has been recalculated, as indicated below. The final cost adjustment associated with the

[1] The 53,783,619 thousand pieces in the attachment result in 19,235,261 thousand additional ounces. Pieces in the 1 to 2 ounce weight increment are multiplied by 1, in the 2 to 3 ounce increment by 2, etc. The 52,583 thousand pieces in the 11 to 12 ounce weight step result in 578,417 thousand additional ounces (52,583 * 11), and the 39,518 thousand pieces in the 12 to 13 ounce weight step result in 474,219 (39,518 * 12) thousand additional ounces. Subtracting the additional ounces associated with these pieces from the total yields 18,182,625 thousand pieces for the 0-11 ounce weight range (19,235,261 – 578,417 – 474,219). Dividing these additional ounces by the corresponding pieces in the 0-11 ounce weight range (53,783,619 – 52,583 – 39,518) results in approximately .3387 additional ounces per piece.

RESPONSE OF U.S. POSTAL SERVICE TO
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RESPONSE to OCA/USPS-106 (d) (continued)

heavier pieces from the breakpoint change and the elimination of Standard (A) single piece remains the same.

The effect of both changes (the move to revenue adjustment factors and the additional ounce calculation change) is to increase total First-Class Mail TYAR contribution from $18.118 billion to $18.164 billion, or $46 million. The impact on TYAR revenue and cost of both changes letters subclass (no change to cards subclass) is as follows (details are contained in the April 17, 2000 errata to the workpaper of witness Fronk):

Revenue from Rates Change:

Single Piece:	-$91 million (from $22,837,722 to $22,746,522)
Nonauto Presort:	-$1 million (from $926,520 to $925,431)
Auto Presort:	+27 million (from $11,880,081 to $11,907,084)
Carrier Route:	— (no change)
Total:	-$65 million

Single Piece Cost Change: (with contingency)	-$111 million
Net Change: (Contribution)	+46 million
Cost Coverage:	Increases from 196.30% to 197.14%
% Change in Revenue per Piece	Remains at 3.5%

RESPONSE OF THE U.S. POSTAL SERVICE TO
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OCA/USPS-107. Since 1997 has the Postal Service considered creating a 0.5-ounce rate element for First Class letters (analogous to the newly proposed one-pound element in Priority Mail or the existing 0.5-ounce element in International Mail)? Has the Postal Service ever considered such a rate element since Reorganization? If so, please explain why the Service has not requested establishment of such a category and provide copies of all documents relating to this interrogatory. If not, why not?

RESPONSE: The Postal Service has not considered a 0.5-ounce rate element for First Class letters since 1997. It has been unable to locate any evidence that such a domestic rate element has been considered since reorganization. Such a rate element would create 26 weight steps within First-Class Mail rather than the present 13, and would affect ease of use by introducing considerable complexity into the rate schedule. Customers would have to determine weight to the 0.5 ounce. From a policy and ratemaking perspective, the Postal Service has considered it desirable to have a single first-ounce rate and a single additional ounce rate. There is no reason to believe that a 0.5-ounce schedule would better track costs than the current 1-ounce schedule since both involve a considerable amount of averaging.

RESPONSE OF THE U.S. POSTAL SERVICE TO
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OCA/USPS-109. Since 1997 has the Postal Service considered specific means for making letter-shaped First Class Letters more competitive with electronic bill presentment and payment? If so, please describe what means were considered and provide copies of all documents related to this interrogatory. If not, why not?

RESPONSE: On January 10, 1999, the Postal Service implemented Qualified Business Reply Mail (QBRM), with a discounted postage rate of 3 cents below the basic single-piece rate. In this docket, the Postal Service is proposing the same postage discount of 3 cents and a QBRM fee option that would involve a per piece fee of 3 cents and a quarterly fee of $850. (The quarterly fee becomes very small on a per-piece basis when spread over a large volume.) Please see USPS-T-33 at page 22 and USPS-T-39 at page 21. If the Docket No. R2000-1 proposals are adopted, they will have the effect of reducing per piece postage plus fees for larger volume QBRM recipients, from 35 cents (30-cent postage + 5-cent fee) to 34 cents (31-cent postage + 3-cent fee). This can have the effect of making QBRM a more attractive option for bill presenters who may wish to prepay the postage for remittances.

The Postal Service has also been working with the vendors of IBI and PC postage products and approved the first products for commercial distribution in 1999. The Postal Service recognizes that these products may make postage easier to acquire and enhance the convenience of the mail.

To make letter mail competitive, the Postal Service has also worked to keep the increases in the stamp price as small as possible (a 1-cent increase as a result of Docket No. R97-1 and a proposed 1-cent increase in this docket). It also continually strives to meet its service standards in delivery.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
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OCA/USPS-110. Please refer to Table 4-60 (page IV-142) of the 1998 Household Diary Study. Please provide a similar table showing absolute annual numbers of transactions on a national basis in place of percentages on a monthly basis. If you cannot provide the requested data for "Phone" or "Other," please provide the absolute annual numbers of pieces for "Mail."

RESPONSE:

The data in Table 4-60 are from the entry questionnaire administered to each household at the beginning of the Household Diary survey process. The USPS does not have absolute annual numbers for any of the transaction types in the table.

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OCA/USPS-111

Please refer to the response to OCA/USPS-32 in Docket No. MC95-1. Please provide analogous data for FYs 1998 and 1999 broken down by subclass and shape. In other words, please provide DRPW single-piece First-Class volumes by Secondary Sampling Unit (SSU) by subclass by shape. Also, please provide documentation for interpreting SSU codes and linking them to Primary Sampling Units. If different terminology or procedures were used in FY98 or FY99, please provide data that most closely match the requested breakdown plus any necessary documentation.

RESPONSE:

Beginning in FY 1995, DRPW modified the definition of a SSU from a delivery unit to a Mail Exit Point (MEP). The definition of a MEP is a physical place in the mail processing stream between the mail processing plant and final delivery unit. Most MEPs are defined and tested as mail enters a post office. Beginning in FY 95, all information regarding the old SSU codes became obsolete. There are no data available that would permit even an approximation of the requested breakdown.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
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OCA/USPS-112

With respect to letter-sorting automation, is there an envelope size, color and weight (or range of sizes, colors, and weights) that (*ceteris paribus*) maximize the productivity of the equipment? If so, what are the optimal size(s), colors, and weights(s) for each type of equipment? Are there other mailpiece attributes that significantly affect the productivity of letter-sorting automation? If so, what are those attributes and what values (or ranges of values) of those attributes maximize the productivity of each type of equipment?

RESPONSE:

See DMM C810. As indicated there, Postal Service automated letter processing equipment is designed to accommodate a certain range of mail piece characteristics. For readability, white backgrounds are preferred over colors. Within specified limits, shorter pieces have a higher throughput than longer ones; rectangular pieces (length greater than height) avoid "tumbling" problems associated with square pieces; one-ounce pieces have a higher throughput than two- and three-ounce pieces.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
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OCA/USPS-113

Please refer to the attachment to the response to interrogatory OCA/USPS-42. Please confirm that the line labeled "PERMIT FIM" contains all Business Reply Mail volume. If you do not confirm, please provide a version of the attachment with BRM volumes broken out. Please identify where in the attachment the BRM volumes reported in response to OCA/USPS-43 appear.

RESPONSE:

Not confirmed. Small amounts of Government BRM, metered BRM, and BRM bearing stamps are not included in the line "PERMIT FIM." These volumes cannot be broken out in the referenced attachment because, in ODIS, they lose their identification as BRM. For example, the "Govt FIM" line contains some BRM, but it is impossible to break it out. The Permit Imprint portion of the BRM volumes reported in response to OCA/USPS-42 would be contained in "Permit FIM."

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OCA/USPS-114

Does the Postal Service have data on the proportion of CREs that are automation compatible and bear the proper FIM? If so, please provide any such data for FYs 1998 and 1999. Can the data provided in response to interrogatory OCA/USPS-45 be used to develop this proportion? If not why not?

RESPONSE:

No. No. With respect to the response to OCA/USPS-45, it should be noted that the Household Diary Study does not record information on automation-compatibility or the correctness of the FIM. In addition, it is not clear whether survey respondents included as "barcoded" envelopes on which the barcode is printed on an insert and appears through the reply envelope window, since they were asked to identify pieces on which the barcode was printed across the front of the envelope.

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OCA/USPS-115 Please refer to Tables 4-11, 4-14, and 4-48 of the 1998 Household Diary Study. Please provide similar tables containing annual national volumes rather than pieces per household per month.

RESPONSE:

A conversion from the tables in Chapter IV of the Household Diary study to annual volumes can be made using the data in Appendix E of the Household Diary Study, "Sample and Weighted Demographics", page E-1. Thus, for Table 4-11, multiplying each cell by the corresponding cell in the "Weighted Households" section of the table in Appendix E, and further multiplying the resultant product by twelve (to get from monthly to annual values) yields:

Income	Pieces Per Year (Millions)					
	Entry Interview ① (Perceived Volume)			Diary Data (Perceived Volume)		
	1987	1997	1998	1987	1997	1998
<$7K	341.6	96.0	122.8	148.9	23.0	78.1
$7K - $9.9K	380.6	132.0	129.0	270.8	47.5	41.3
$10K - $14.9K	612.0	309.6	252.0	269.3	92.9	100.8
$15K - $19.9K	414.0	187.2	146.6	207.0	81.1	62.0
$20K - $24.9K	398.2	248.9	191.2	417.1	87.8	63.7
$25K - $29.9K	434.5	233.6	205.3	213.0	85.0	70.8
$30K – $34.9K	430.6	249.6	281.5	271.4	117.0	99.4
$35K - $49.9K	610.2	603.8	553.0	420.4	457.0	184.3
$50K - $64.9K	459.4	384.1	423.7	301.0	163.0	154.1
$65K - $79.9K	148.7	480.5	395.5	95.8	142.0	123.6
$80K - $99.9K	83.5	176.6	211.2	51.8	44.2	171.6
$100K+	60.5	324.7	258.7	86.4	88.6	79.2
Total	**4,373.8**	**3,426.7**	**3,170.5**	**2,752.9**	**1,429.0**	**1,228.9**

① Includes thank-you notes.

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Similarly, for Table 4-14, after multiplying by the appropriate cell (after aggregating the rows "$65K - $79.9K", "$80K - $99.9K", and "Over $100K"):

Income	Christmas/Hanukkah/New Year's Cards Pieces Per Year (Millions)		
	1987	1997	1998
<$7K	150.4	57.9	59.8
$7K - $9.9K	162.9	99.0	77.8
$10K - $14.9K	322.3	197.8	169.7
$15K - $19.9K	223.6	114.4	136.8
$20K - $24.9K	256.8	160.4	159.3
$25K - $29.9K	267.7	156.4	151.6
$30K – $34.9K	303.4	176.2	182.9
$35K - $49.9K	504.0	455.6	408.3
$50K - $64.9K	334.6	381.2	362.7
$65K +	276.3	797.4	834.3
Total	**2,801.9**	**2,596.3**	**2,543.2**

For Table 4-48, multiply each cell by the aggregate of the "Weighted Households" and multiply by 52:

Mail Sent	Pieces Per Year (Millions)		
	1987	1997	1998
Business Transactions – In Response to Advertising:			
Total Response to Advertising	**2,401.2**	**1,010.9**	**775.9**
Business Transactions – Not In Response to Advertising:			
Transaction to phone/utility company	1,377.7	1,305.7	1,250.1
Transaction to credit card company	984.1	1,179.4	1,077.7
All other business mail	3,542.8	3,790.8	3,664.2
Total Business Not In Response to Advertising	**5,904.6**	**6,275.9**	**5,992.0**
Don't know / No answer	39.4	463.3	301.8
Total Mail Sent by Households to Nonhouseholds	**8,345.2**	**7,750.1**	**7,069.7**

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USPS/OCA-116

Witness Campbell has stated that the Postal Service does not collect caller service mail volumes. Response to OCA/USPS-T29-10(d), filed March 27, 2000. Is witness Campbell correct, or can a reasonable approximation of caller service volumes be derived from the material requested in interrogatory OCA/USPS-111? If so, please provide the reasonable approximation. If not, please explain.

RESPONSE:

Witness Campbell is correct. Please see the response to OCA/USPS-111 for an explanation.

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OCA/USPS-117. Please refer to the responses to interrogatories OCA/USPS-91 and OCA/USPS-T33-10 redirected from witness Fronk.

(a) Please state explicitly that no reasonable approximation of caller service volumes by subclass can be extracted from ODIS data for FYs 1998 or 1999. If such reasonable approximations can be developed from ODIS, please provide them.

(b) Please state explicitly that no reasonable approximation of caller service volumes by subclass can be extracted from CBCIS data for FYs 1998 or 1999. If such reasonable approximations can be developed from CBCIS, please provide them.

(c) Please state explicitly that no reasonable approximation of caller service volumes by subclass can be extracted from any Postal Service data base for FYs 1998 or 1999. If such reasonable approximations can be developed, please provide them.

(d) Please state explicitly that the Postal Service has no internal need for reasonable approximations of caller service volumes by subclass. If the Postal Service has developed such reasonable approximations for internal purposes, please provide reasonable approximations for FYs 1998 and 1999.

(e) Please provide a breakdown of First Class Letter caller service volume between workshared and nonworkshared categories. If you cannot provide the requested breakdown, please confirm that the proportion of First Class Letter caller service volume that is workshared is small (e.g., less than ten percent). If you do not confirm, please explain.

RESPONSE:

a) See responses to OCA/USPS-11 and OCA/USPS-16. ODIS no longer collects these data, so no reasonable approximation of caller service volumes by subclass can be extracted from ODIS data for FYs 1998 or 1999.

b) CBCIS does not provide caller service volumes by subclass, so no reasonable approximation of caller service volumes by subclass can be extracted from CBCIS data for FYs 1998 or 1999.

c) No postal data collection system collects caller service volumes by subclass, so no reasonable approximation of caller service volumes by subclass can be extracted from any Postal Service data base for FYs 1998 or 1999.

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d) The Postal Service has no internal need in the RPW area for information on caller service volumes by subclass.

e) See response to subparts (a-c). The Postal Service has no information responsive to this request.

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OCA/USPS-118. Please refer to the response to interrogatory OCA/USPS-92. The last sentence of the response states that "the Postal Service has been successful in capping the rate differential between letters and flats in Standard Mail (A) since the introduction of this rate differential."

(a) Please confirm that one effect of this successful capping is (1) an increase in the implicit cost coverage for letters above the subclass average and (2) a decrease in the implicit cost coverages for nonletters below the subclass average. If you do not confirm, please provide an arithmetic example demonstrating that a passthrough of less than 100 percent of the letter/flat differential does not necessarily result in shifts in cost coverage as stated in this interrogatory.
(b) Please provide estimates of the implicit cost coverage for letters and nonletters in each subclass of Standard (A) Mail.
(c) Please provide an estimate of the cost differential between one-ounce letters and one-ounce flats in First Class letters.
(d) Please provide estimates of the implicit cost coverage for letters and nonletters in First Class letters.

RESPONSE:

(a) In the response to OCA/USPS-92, the reference to "capping" the rate differential between letters and flats was related to the proposed Standard Mail (A) rate design and its effort to limit the rate increase for 3/5-digit automation flats by maintaining the current per-piece differential between letters and nonletters. (See witness Moeller's testimony, USPS-T-35 at pages 5-6.) In previous proceedings, the Postal Service may also have selected passthroughs for the letter/nonletter differential with the intention of limiting the rate increase for nonletters. However, it is incorrect to assume than "capping" the differential (which presumably is the result of proposing less that 100 percent passthrough of the cost differential between letters and nonletters) necessarily leads to implicit coverages for letters that are above the subclass average, and for nonletters that are below the average. For instance, in Docket No. MC95-1, passthroughs of less than 100 percent were recommended for the ECR letter/nonletter differentials, yet the resulting cost coverage was 218.69 percent and 217.22 percent for nonletters and letters, respectively. (Docket No. MC-95-1, PRC Standard Mail Workpapers, final page.) This can occur if the revenue generated by the pound

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RESPONSE to OCA/USPS-118 (continued)

rate significantly exceeds the costs generated by the additional weight. Since only nonletter-rated pieces pay the pound rate, this additional revenue accrues only to nonletters, and, since it is much higher than the additional cost, can drive up the implicit cost coverage.

(b) Data responsive to this question are not routinely developed. Total costs, which are necessary for the calculation of implicit coverages, are generally calculated only at the subclass level, unless estimates are used to assist with specific cost adjustments or rate design issues. (The implicit coverage referred to in response to subpart (a) was available due to the specific nature of the Docket No. MC95-1 case and the need to develop "bottom-up" costs for the reclassified rate categories

(c) An estimate can be developed using data presented in USPS-LR-I-91, as revised March 1, 2000. Please recognize that this can only be viewed as an approximation since there is difficulty in measuring costs with the highest degree of precision on a weight-step-by-weight-step basis. Also, the USPS-LR-I-91 costs are on a Test Year before rates basis, before final adjustments and contingency. Recognizing these limitations, within single-piece, the one-ounce letter cost is estimated to be 19.6 cents (Section 1, page 15) and the one-ounce flat cost is estimated to be 93.9 cents (Section 1, page 18). Within presort, the one-ounce letter cost is estimated to be 9.8 cents (Section 2, page 15) and the one-ounce flat cost is estimated to be $1.12 (Section 2, page 18).

(c) Data responsive to this question are not routinely developed. Single-piece and nonautomation presort rates in the letters subclass are not shape-based, but are averaged across shapes. The Postal Service is unsure how to reliably develop such an implicit cost coverage given the available data.

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OCA/USPS-119. Please refer to the response to interrogatory STAMPS.COM/USPS-T33-8. The interrogatory and response concern possible problems with an IBI discount. Specifically, they relate to the question of whether customers might create an IBI envelope to pay their bills rather than use the automation compatible courtesy reply envelope provided by the bill presenter.

(a) Please confirm that this particular problem disappears if the net cost to the customer for using a CRE is less than the net cost to the customer of creating and posting an IBI envelope. If you do not confirm, please explain.

(b) Please confirm that this particular problem can be avoided by offering a larger discount (e.g., three cents) for using an automation compatible CRE than the discount (e.g., one cent) for using an IBI envelope. If you do not confirm, please explain.

RESPONSE: STAMPS.COM/USPS-T33-8 referenced witness Fronk's response to E-STAMP/USPS-T33-1, which had identified a number of issues the Postal Service faces in adequately and fully evaluating any potential IBI-related discount. One of those issues is that any discounted postage rate for IBI would potentially create an incentive for mailers to throw away their courtesy envelopes in favor of making their own envelopes with a discounted rate.

(a) – (b) The Postal Service is unable to confirm because the customer decision hypothesized may involve factors other than net cost. For example, a customer using IBI postage may simply find that it is more convenient to use PC postage for all mailings than to maintain inventories of differently denominated stamps. Or, the customer may simply enjoy using IBI postage products more than stamps, even if a stamp could hypothetically result in a smaller net cost.

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OCA/USPS-121. Please refer to USPS-LR-I-191.

(a) What is the source of the volumes in Figure 1 on page 7? Please show the derivation of each volume in Figure 1.
(b) Please update the volumes in Figure 1 on page 7 for 1998 and 1999.
(c) What methodology was used to calculate the $0.29 per piece contribution mentioned on page 4 and in footnote 4 on page 8? Please show the derivation of this figure.
(d) What is the relationship between the $0.29 contribution figure and the $0.18 ($16,768,614/95,550,984) derived from USPS-T-32, Workpaper I, page 2, Docket No. R97-1, or the $0.18 (17,774,380/99,857,394) derived from Attachment USPS-33B? Please explain fully.
(e) Please provide a copy of the "Christensen Associates' Segmentation Analysis" referred to in footnote 4 on page 8.
(f) This document is denoted "Draft." Is there a final report or more recent draft? If so, please provide the most recent version.

RESPONSE:

This interrogatory requests information about a document prepared by an outside consultant and presented to the Postal Service. This response provides the information requested, but should not be considered as an endorsement of either the methodologies employed or the results reported.

(a) To derive the volumes reported in Figure 1 on page 7 of USPS-LR-I-191, First-Class nonpresort letter volumes from ODIS are broken down into the following segments by shape, mail markings, and type of address: "CEM" (bills) – letters with FIM; "Aunt Minnie" – non-FIM and handwritten address letters and cards; "SOHO" – non-FIM and typed address letters and cards; "Other" includes FIM cards (BRM), flats, parcels, and IPPs. The percentage of ODIS nonpresort volume by shape in each "segment" is multiplied by the total nonpresort letter volume from FY97 RPW then summed across shape in each segment to obtain the volumes reported in the attachment.

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(b) See table below for the updated "segment" volumes for FY98. The segmentation analysis has not been done for FY99.

FY98 First-Class Non-Presort Volumes by "Segment"

Segment	FY98 Volume
"Aunt Minnie"	13,178
CEM	8,672
Other	5,661
SOHO	29,214
Total	56,725

(c) The table below shows the methodology used to calculate the $0.29 per piece contribution mentioned on page 4 and in footnote 4 on page 8 of USPS-LR-I-191.

Derivation of Contribution Per Piece for CEM

	Value	Source
Revenue (billions)	2.73	DPS and ODIS data, controlled to RPW
- Cost (billions)	0.37	Unit Cost (from CRA costs) * volume
= Contribution (billions)	2.36	
÷ Volume (billions)	8.23	ODIS, controlled to RPW
= Contribution per piece	0.29	

(d) The contribution figures of $0.18 from USPS-T-32, Workpaper I, page 2, Docket No. R97-1 and Attachment USPS-33B were derived for First-Class letter mail as a whole, while the $0.29 per piece contribution reported in USPS-LR-I-191 is only for First-Class nonpresort "CEM" letters only.

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FIRST CLASS SINGLE-PIECE NONSTANDARD IPPs
GFY 1998

Short Paid Amount/Pc	GFY 1998 Volume	Short Paid Revenue
$0.110	970,715	106,779
Varies	47,255	6,099
	1,017,970	**112,878**

Over Paid Amount/Pc	GFY 1998 Volume	Over Paid Revenue
$0.110	0	0
$0.120	2,578,095	309,371
$0.210	1,591,681	334,253
$0.220	357,217	78,588
Varies	819,727	401,674
	5,346,720	**1,123,886**

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(e) The "Christensen Associates' Segmentation Analysis" refers to the methodology recounted in sections (a) and (c) of this answer.

(f) The document provided in USPS-LR-I-191 is the most recent version produced.

Attachment
Response to
OCA/USPS-121

Volumes by "Segment" FY97

Segment	Mail Piece Characteristics (Shape, FIM, Address)	FY97 ODIS First-Class Non-Presort Volume (millions) [1]	Percent of ODIS volume, by shape [2]	[3]	RPW Adjusted Volume (billions) [4]	Segment Volume (billions) [5]
"Aunt Minnie"	Letter, Non-FIM, Script	12,928,400	23.3%		12,635	
"Aunt Minnie"	Card, Non-FIM, Script	737,248		21.2%	638	13,273
CEM	Letter, FIM, Script	82,876	0.1%		81	
CEM	Letter, FIM, Non-Script	8,336,220	15.0%		8,147	8,228
Other	Card, FIM, Script	50,993		1.5%	44	
Other	Card, FIM, Non-Script	472,031		13.6%	408	
Other	Flat	5,015,960	9.0%		4,902	
Other	IPP	492,247	0.9%		481	5,836
SOHO	Letter, Non-FIM, Non-Script	28,643,100	51.6%		27,994	
SOHO	Card, Non-FIM, Non-Script	2,211,240		63.7%	1,913	29,907
Total		58,970,315	100%	100%	57,244	57,244
Total – Letters, Flats, IPPs		55,498,803	[6]			
Total – Cards		3,471,512	[7]			

FY97 RPW First-Class Non-Presort Volume (millions)

Letters, Flats, and IPPs	54,240,238	[8]
Mailing Cards	3,003,755	[9]
Total	57,243,993	

where [2] = [1]/[6] for letters, flats, and IPPs only
[3] = [1]/[7] for cards only
[4] = [2]*[8] for letters, flats, IPPs or [3]*[9] for cards
[5] = sum [4] by segment
[6] = sum of [1] by shape
[7] = sum of [1] by shape

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OCA/USPS-122. Please refer to the responses to OCA/USPS-T9-30-41 (redirected to the Postal Service) and LR-I-248. LR-I-248, Section II, listed seven non-postal programs: (1) FirstClass Phone Card, (2) Retail Merchandise, (3) PostOffice Online (POL), (4) LibertyCash, (5) Dinero Siguro, (6) REMITCO, and (7) Sure Money. For each of these seven programs/products/services:

(a) Describe the product or service being offered.

(b) State whether, to the Postal Service's knowledge, similar products/services are offered for a fee in the private sector.

(c) State the date of "inception."

(d) Provide financial reports to the Board of Governors (see responses to OCA/USPS-T9-35 & 40) and any other financial reports compiling annual revenues and expenses for each program/product/service since inception. Include all "start-up" expenses for each program/product/service.

(e) For each of the FY 1999 expenses listed in LR-I-248, Section II, break them down into volume variable and product-specific costs.

(f) Also state, for each program/product/service, whether there are any additional volume variable or product-specific costs not listed in LR-I-248; and provide such additional costs.

(g) For each program/product/service, state whether the program/product/service is rendered in whole or in part by a third party provider. Identify the third party provider and describe how revenues are allocated between the Postal Service and the third party provider. Also state how expenses are divided between the Postal Service and the third party provider.

RESPONSE:

All parts of this response assume that the citations to USPS-LR-I-248 refer to Section I which lists seven non-postal programs and any reference to Section II was a typo.

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(a)

(1) The FirstClass Phonecard is the brand name of a prepaid phone card available to the public through a strategic alliance between the Postal Service and AT&T. The FirstClass Phonecard can be purchased at postal retail units and from postal vending machines throughout the U.S. (See GAO Report, U.S. Postal Service Development and Inventory of New Products, November, 1998, page 40).

(2) Retail merchandise marketed by the Service contains either a stamp image, heritage logo, or the logo of a core service -e.g., Priority Mail. Examples of retail merchandise marketed by the Service include T-shirts, beverage mugs, neckties, greeting cards, and stationery. As of July 1998, such merchandise was being sold in all 500 postal stores and in about 25,000 of the Service's 33,000 traditional retail units. Merchandise may also be ordered from a Postal Service catalog or through the Service's Web site. However, in June 1998, the Service announced plans to curtail its retail merchandising activity. The Service will no longer sell apparel merchandise in post offices, although such merchandise will still be available at the Postmark America Store in the Mall of America and through catalog and web site programs and special events. Stationery, greeting cards, packaging products, and a limited line of collectables (sic) will continue to be sold at retail units. (See GAO Report, U.S. Postal Service Development and Inventory of New Products, November, 1998, page 46).

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(3) PostOffice Online is a service designed to help small businesses move money, messages, and merchandise conveniently and securely over the Internet. Conceptually, PostOffice Online customers would ultimately be able to (1) pay for their mailings and print postage using their personal computers; (2) buy mailing products and supplies on-line; and (3) contact the Postal Service and request parcel pickup service, or check to see if a particular package has been delivered. Customers would also be able to design their own newsletters or advertisements and send them to the Postal Service electronically. At that point, the Service will assume responsibility for printing the documents and delivering them to the addresses the customer chooses. (See GAO Report, U.S. Postal Service Development and Inventory of New Products, November, 1998, page 46).

(4) LibertyCash is a Postal Service stored-value card that can be used to pay for all postal products and services. The card can be filled in amounts of $5 to $300 at the retail unit or over the telephone. The card is replaceable if lost or damaged. The customer selects his/her own personal identification number. (See GAO Report, U.S. Postal Service Development and Inventory of New Products, November, 1998, page 52).

(5) Dinero Seguro, which means "safe money," is an electronic version of a Money Order that can be used to transfer money from designated U.S. locations to Mexico. As part of a Dinero Seguro transaction, the customer is given a confirmation number and a prepaid phone card good for one 3-

minute call to Mexico. The customer can then use the phone card to inform the person in Mexico that the money has been sent and pass along the confirmation number. The transferred funds can then be picked up from any one of the more than 1,300 Bancomer Bank branches in Mexico. (See GAO Report, U.S. Postal Service Development and Inventory of New Products, November, 1998, page 54).

(6) REMITCO extended the Postal Service's business of delivering payments, such as credit card and utility payments, to the actual processing of remittance documents. Remittance processing involved opening return envelopes and extracting bill payments, processing the checks and depositing them into business recipients' bank accounts, and electronically transmitting remittance records to the business recipients. (See GAO Report, U.S. Postal Service Development and Inventory of New Products, November, 1998, page 42). The Postal Service released its interest in REMITCO effective July 1, 1999.

(7) Sure Money currently refers to a pilot test with the Postal Administration of the Dominican Republic using the Dinero Seguro technology platform.

(b) In the case of FirstClass Phone Cards, similar products/services are offered, presumably for a fee, in the private sector.

For retail merchandise, as discussed in part (a) of this response, retail merchandise marketed by the Service contains either a stamp image, heritage logo,

or the logo of a core service-e.g., Priority Mail. As such, similar products/services with this intellectual property are not offered for a fee in the private sector.

For PostOffice Online, the Internet offers any number of businesses that allow consumers to purchase and pay for products and services online. Particular Postal services available only through PostOffice Online, such as the Delivery Confirmation service, would not be available through competitors. Considering the expansive reach of the Internet, it is not possible to definitively say for each facet of PostOffice Online whether or not similar products/services are offered for a fee in the private sector.

Stored-value cards similar to LibertyCash are offered in the private sector by many merchants such as Wal-Mart, Shell and Blockbuster. The Postal Service has not investigated whether or not merchants in the private sector offer their cards for fees.

Electronic transfer of funds, like Dinero Seguro and Sure Money, are offered in the private sector and there is presumably a fee involved.

The Postal Service's association with REMITCO has ended.

(c) The dates of inception are:

FirstClass Phone Card: November 1996 (Strategic alliance signed)
(See GAO Report, U.S. Postal Service Development and Inventory of New Products, November, 1998, page 27).

Retail Merchandise -- Local marketing: Prior to FY 1997
-- Centralized marketing: Early FY 1997
(See GAO Report, U.S. Postal Service Development and Inventory of New Products, November, 1998, page 46).

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PostOffice Online: Pilot program

LibertyCash: Pilot program.

Dinero Seguro: Pilot program

REMITCO: Pilot program (discontinued)

Sure Money: Pilot program.

d) Partial objection filed on April 20, 2000. Using the format presented in LR-I-248, Table 1 that accompanies this response provides the available annual revenues and expenses for each program/product/service since inception.

e) The expenses listed in LR-I-248 cannot be broken down into volume variable and product-specific costs. Volume variability is a definition applied to cost components to describe their response to mail volume changes. The determination of the degree of volume variability for cost components is the result of special and ongoing studies, data collection, economic analysis, etc. Even though all the expenses presented in LR-I-248 are in cost components that have a degree of volume variability (zero or greater), to say that the individual expenses comprising that cost component have the same degree of volume variable is not accurate; the accuracy of the volume variability of a component may or may not apply to the individual accounts that make up the cost component.

Product-specific costs is another term used to describe a characteristic of cost components and their costing treatment. It is not possible to isolate the product-specific aspects of the expenses presented in LR-I-248 in any meaningful way.

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Even assuming that all the expenses presented in LR-I-248 are product-specific, the FY 1999 sum is only $85 million, which is .1% of total costs.

f) The response to part (e) applies here as well.

g) Partial objection filed on April 20, 2000.

For FirstClass Phone Cards, the Postal Service has a strategic alliance with SmarTalk Teleservices, Inc. With Dinero Seguro, transferred funds can be picked up from any one of the more than 1,300 Bancomer Bank branches in Mexico. At this time, Sure Money is currently being tested in conjunction with the Postal Administration of the Dominican Republic. REMITCO was operated for the Postal Service by a private company – REMITCO Management Corp. Within the area of Retail Merchandise, the Postal Service licenses its intellectual property rights to third party manufacturer and publishers for application on a variety of products. PostOffice Online currently has no third party providers. LibertyCash is provided by the Postal Service for the purchase of postal products.

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REDIRECTED FROM WITNESS TAYMAN

OCA/USPS-T9-27.

The following refers to the USPS FY 2000 Operating Plan.

(a) Please provide the most current USPS FY 2000 Operating Plan by accounting periods for Postal Service operating revenues, appropriations, investment income, expenses and volumes.

(b) For each of the thirteen accounting periods presented in part "a" of this interrogatory, please provide the most current USPS FY 2000 Operating Plan with operating revenues broken out by mail class and subclass cost categories.

RESPONSE:

(a) Please see attached.

(b) Please see response of United States Postal Service to OCA/UPSP-81.

U.S. POSTAL SERVICE
FY 2000 OPERATING PLAN
($THOUSANDS)

	AP 01	AP 02	AP 03	AP 04	AP 05	AP 06	AP 07	AP 08	AP 09	AP 10	AP 11	AP 12	AP 13	TOTAL
OPERATING REVENUE	5,130,291	5,243,306	5,142,346	5,170,133	5,161,347	4,993,792	5,169,643	5,164,966	4,947,212	4,838,736	4,816,514	4,729,662	4,871,362	64,389,808
APPROPRIATIONS	5,994	5,994	5,994	5,994	5,994	5,994	5,994	5,994	5,994	5,994	5,994	5,994	5,999	95,957
INVESTMENT INCOME	2,849	2,839	2,839	2,839	2,836	2,839	2,839	2,839	2,839	2,839	2,839	2,839	2,839	27,236
TOTAL REVENUE	5,139,135	5,250,939	5,149,399	5,177,167	5,169,281	5,000,826	5,167,677	5,111,999	4,954,246	4,833,779	4,823,548	4,727,636	4,879,371	64,981,976
TOTAL EXPENSES	4,799,807	4,886,628	4,896,929	5,124,244	4,996,668	4,958,393	5,077,883	5,033,264	5,029,586	4,861,244	4,861,654	5,000,615	5,226,386	64,739,901
NET INCOME (LOSS)	339,328	365,311	252,451	52,923	181,213	42,433	89,584	78,735	(75,640)	(217,474)	(237,806)	(288,979)	(346,615)	242,074
CONVERSION TO GFY NET INCOME (LOSS)														(142,974) 100,000
TOTAL MAIL VOLUME	16,666,575	17,463,311	16,368,371	15,757,839	16,666,429	16,169,254	16,619,429	16,133,967	15,666,342	14,765,499	14,570,966	15,194,649	15,934,348	267,756,149
CONVERSION TO GFY NET INCOME (LOSS)														1,582,238 299,268,387

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE
(Redirected from Witness Tayman, USPS-T9)

OCA/USPS-T9-30. For purposes of this interrogatory, and interrogatories OCA/USPS-T9-31-38, please consider postal services to be services that the Postal Service has begun offering during the 1988-1998 period after filing a request with the Postal Rate Commission under 39 U.S.C. §3623, and/or that the Postal Service has changed the rate or fee of a service by filing a request with the Commission under 39 U.S.C. § 3622. Please consider nonpostal services to be any other service provided by the Postal Service to the public, including retail services. Please refer to Table 2 of your testimony. In Table 2 you set forth total revenues (column 2) and total expenses (column 4) for fiscal years 1988-1998. For each of the eleven fiscal years set forth in the table, please break out the total revenue figures into revenues generated by postal services and revenues generated by nonpostal services. Also, break out each total expense figure into expenses generated on behalf of postal services and expenses generated by nonpostal services.

RESPONSE:

The Postal Service does not account for revenues and expenses using nonpostal and postal categories as defined in your question, although a similar distinction between nonpostal and postal categories is addressed in the Postal Service's Compliance Statement, Attachment G of the Service's request, RULE:54(h)(1). Attachment G provides an explanation for generic "nonpostal" services that can be identified in the Postal Service's reports and a table is shown that identifies services which could be termed nonpostal and their associated cost elements.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE
(Redirected from Witness Tayman, USPS-T9)

OCA/USPS-T9-30 Response continued

There is additional confusion with the very broad definition of "nonpostal" as "any other service provided by the Postal Service to the public, *including retail services.*" [1] What types of services should be included in addition to retail services? Should public service offerings be included, for instance, the Carrier Alert Program and the activities for providing U.S. Burial Flags? Although the questions may appear to be quite straightforward at first reading, such examples highlight the difficulties in addressing each and every nonpostal service offering within the wide spectrum of the Postal Service's offerings.

For each of the eleven fiscal years referred to in your question, the Postal Service has available accepted reporting formats that include all revenues and expenses. The Revenue, Pieces, and Weight by Classes of Mail and Special Services Report can be used to assist in providing some breakout between the revenue generated from "postal" and "nonpostal" services as defined in the question. Expenses related to classes of mail and special services are available in the Cost and Revenue

[1] The Postal Service has assumed that the OCA's series of questions concerning postal services versus nonpostal services do not seek information on individual international mail services because detailed international information is not relevant to proceedings dealing with domestic rates and fees. Also, individual international mail services are not considered to be encompassed by OCA's questions because these questions focus on services offered in the 1988 - 1998 time frame and the Postal Service has been offering any number of international mail services prior to that time period.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE
(Redirected from Witness Tayman, USPS-T9)

OCA/USPS-T9-30 Response continued

Analysis and the Cost Segments and Components Report. While separate revenue accounts exist for many "nonpostal" services and other miscellaneous revenue items, most expense accounts do not relate to class of mail or service. A description of all revenue and expense accounts is available in the General Classification of Accounts, Handbook F-8. A copy of this handbook was provided in USPS-LR-I-183. These reports are available for the years requested in the Postal Service Library, L'Enfant Plaza SW, Washington DC 20260.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE
(Redirected from Witness Tayman, USPS-T9)

OCA/USPS-T9-31. For each of the fiscal years set forth in Table 2 (*i.e.*, 1988-1998), state, to the best of your knowledge, whether nonpostal services, in the aggregate, generated a surplus or a loss. For each of these years, please provide an estimate of the amount of the surplus or loss. Also, describe how the estimate is developed.

RESPONSE:

See the response to OCA/USPS-T9-30. In the aggregate, it is believed that a surplus is generated. Generally, refer to the Postal Service's Compliance Statement, Attachment G that states "[t]he difference of $31.1 million reduced the institutional costs borne by other postal services by that amount in FY 1998."

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE
(Redirected from Witness Tayman, USPS-T9)

OCA/USPS-T9-32. Does the Postal Service keep a system of accounts for nonpostal services that is separate from its system of accounts for postal services? Please describe the accounting and data systems that are used to track nonpostal services' costs, revenues, and volumes.

RESPONSE:

No, see the response to OCA/USPS-T9-30.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE
(Redirected from Witness Tayman, USPS-T9)

OCA/USPS-T9-33. Are any nonpostal services currently being offered at no charge to the users of the service? If so, please list all such services. Also, if your answer is affirmative, please state the source(s) of funds for operating each such service. If postal services are directly or indirectly the source of funds, then please so state.

RESPONSE:

Yes, there are several "nonpostal" services provided at no charge to the users of the service. The sources of funds to operate such services is both postal and nonpostal revenues. As discussed in the response to OCA/USPS-T9-30, the following could be termed "public service" offerings and highlight the difficulty in isolating the costs and revenues associated with "nonpostal" services:

- Address Verification – The address of a postal customer is verified at the request of a federal, state, or local government agency on written certification that the information is required for the performance of the agency's duties. Verification means advising an agency whether its address for a postal customer is one at which mail for that customer is currently being delivered.
- Carrier Alert Program – The carrier alert program is a reassurance and notification service performed by letter carriers on their appointed routes every service day. Under this program, carriers - alerted by an accumulation of mail to possible illness or accident suffered by shut-in, elderly, or handicapped customers - report to local agencies for appropriate follow-up. Carriers also report unusual conditions to the proper authorities.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE
(Redirected from Witness Tayman, USPS-T9)

OCA/USPS-T9-33 Response continued:

- Community Bulletin Boards – Postmasters may install bulletin boards in public areas of post offices to display official government notices, notices of public assemblies, judicial sales, official election notices issued by state or local governments, and similar announcements. As an important extension of this service, the Postal Service in cooperation with the National Center for Missing and Exploited Children (NCMEC) posts pictures of missing children in its lobbies. Using advanced technology, pictures of recently abducted missing children are electronically broadcast to major postal installations for dissemination to all offices in a regional area. Other pictures of missing children have been placed in postal lobbies since the 1980's.
- Movers' Guides – The Mover's Guide is a free, colorful 24-page booklet that contains the official USPS change of address form and moving notification postal cards. In addition to the change of address form and moving notification postal cards, the guide also includes before and after moving check lists, advertisements with up to $60 in discounts; and answers to the most commonly asked questions about permanent and temporary forwarding. There is also a Spanish language version, La Mudanza. In collaboration with Target Marketing Solutions, Inc. (TMSI), the Postal Service has created a free "Welcome Kit" to serve as an official

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE
(Redirected from Witness Tayman, USPS-T9)

OCA/USPS-T9-33 Response continued:

confirmation to postal customers that their mail is being properly forwarded and delivered. In recognition of this program, Vice President Al Gore presented the USPS and TMSI with the 1000th Hammer Award from the National Performance Review for the partnership's creative efforts that have made moving easier.

- Burial Flags -- The Postal Service, through its post offices located at county seats, cooperates with the Veterans Administration by acting as the depository for burial flags.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE
(Redirected from Witness Tayman, USPS-T9)

OCA/USPS-T9-34. Are any nonpostal services currently being offered at a rate or fee that does not cover the cost of providing the service? If so, please list all such services. Also, if your answer is affirmative, please state the source(s) of funds that make up any deficits in providing the service. If postal services are directly or indirectly the source of funds, then please so state.

RESPONSE:

See the response to OCA/USPS-T9-31.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE
(Redirected from Witness Tayman, USPS-T9)

OCA/USPS-T9-35. Is it the policy of the Postal Service to operate nonpostal services, in the aggregate, so that the revenues taken in from all such services exceed the costs of operating the services? If the answer is affirmative, then state all practices employed by the Postal Service to ensure that nonpostal revenues exceed nonpostal costs. If the answer is negative, then is it correct that postal services (directly or indirectly) fund any expenses that exceed revenues taken in for nonpostal services? Please explain in full.

RESPONSE:

In the aggregate, yes. For major programs involving "nonpostal services," the program manager is responsible for tracking the costs associated with the program. The Board of Governors receives information on the expenses, revenues and contribution of certain nonpostal services on a quarterly basis. As the programs are tracked, when they are deemed to be unprofitable, they are terminated.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE
(Redirected from Witness Tayman, USPS-T9)

OCA/USPS-T9-36. Please list all nonpostal services currently offered by the Postal Service. For each service, describe what services and/or products are offered and whether a fee is charged. Also, if fees are charged, state the amount of the fee.

RESPONSE:

The following responses are provided for those instances in which information is available. Please see the response to OCA/USPS-T9-33, redirected to the Postal Service. In addition, some other "nonpostal" services are:

- Migratory Bird Hunting and Conservation Stamp Program – The USPS acts as an agent of the U.S. Fish and Wildlife Service (FWS) to conduct sales of Migratory Bird Hunting and Conservation stamps. The Postal Service assists the FWS by providing 10,000 outlets for the sale of hunting stamps. In addition to selling the hunting stamps, window clerks at post offices selected by the FWS distributes a survey card to each duck stamp purchaser. Through this program, the Postal Service enhances the public benefit of its nationwide network of facilities to make nonpostal governmental agency products readily available to the public.
- Passport Application Acceptance Program – The Postal Service cooperates with the State Department through an inter-agency agreement to provide locations for applying for passports. These locations provide convenience to customers by providing additional locations for passport application acceptance.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE
(Redirected from Witness Tayman, USPS-T9)

OCA/USPS-T9-36 Response continued

- Selective Service Registration Program – The Postal Service cooperates with the Selective Service System through an inter-agency agreement to provide locations for military service registration. The Postal Service provides more than 35,000 classified retail units for young men to comply with the Uniform Military Act. The Postal Service's network of facilities provides convenient locations for young men between the ages of 18 and 26 to comply with this law. This network of facilities is a means to provide nonpostal governmental agency products and services to the public.

Also, please refer to Library Reference I-248, Materials Provided in Response to OCA/USPS-T9-36 (Postal Service), that provides a detailed item listing of various retail and stamp products. As discussed in other similar responses, the very broad definition of "nonpostal" makes it difficult, if not impossible, to insure that the response has included each and every possible item in the "nonpostal" definition.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE
(Redirected from Witness Tayman, USPS-T9)

OCA/USPS-T9-37. Do any nonpostal services incur costs jointly with postal services (e.g., the service is provided at the window of a postal facility by a clerk)? If so, how are the costs allocated between the nonpostal services and the postal services? Please explain in full.

RESPONSE:

The question inquires about two different issues. First, are "nonpostal" and "postal" costs incurred jointly? Second, if so, are the "nonpostal" and "postal" services "jointly costed"? In terms of the first issue, in general, costs are not jointly incurred. In instances where costs are jointly incurred though, they are costed separately. For example, letter carrier access costs are jointly incurred, although the costs are attributed only to single product stops and not to multiple product stops.

In terms of the second issue, the example provided by the question can be directly addressed: the costs are treated separately; they are not joint. In this example, the In-Office Cost System records only the activity observed at the time of the reading. For instance, if the window clerk is handing the customer a passport application when observed, Q18F, choice "Y. US Passport Application" is selected (USPS-LR-I-14, the F-45 p. 11-19). This would be recorded even if the customer's next transaction is going to be to mail a package, or if his previous transaction was purchasing stamps.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE
(Redirected from Witness Tayman, USPS-T9)

OCA/USPS-T9-38. For purposes of this interrogatory, please apply the definition of postal services and nonpostal services set forth in interrogatory OCA/USPS-T9-30, but for the period beginning with Postal Reorganization—the present. Please refer to Table 53 of your testimony. On line 5 of this table you set forth the "Total Recovery Required" of $2,414,313,000. To the best of your knowledge, does any portion of the $2,414,313,000 of prior years' losses reflect losses incurred due to a failure of nonpostal services to cover their costs, in aggregate, during any of the fiscal years since Postal Reorganization? If so, for each fiscal year since 1971 for which you have such information, please state the amount of the loss generated in the aggregate by nonpostal services.

RESPONSE:

See the response to OCA/USPS-T9-30. Using the Compliance Statement definition referred to the OCA/USPS-T9-30, the Compliance Statement in MC96-3 indicated that the "nonpostal" services for which costs and revenues could be identified for that base year generated a very small net loss of $2.2 million.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE
(Redirected from Witness Tayman, USPS-T9)

OCA/USPS-T9-39. For purposes of this interrogatory, and interrogatories OCA/USPS-T9-40 and -41, please consider postal services to be services that the Postal Service has begun offering after filing a request with the Postal Rate Commission under 39 U.S.C. §3623, and/or that the Postal Service has changed the rate or fee of a service by filing a request with the Commission under 39 U.S.C. § 3622, or is asking to change the rate or fee of a service in the instant omnibus rate proceeding. Please consider nonpostal services to be any other service provided by the Postal Service to the public, including retail services. Please refer to pages 10-11, in which you discuss test year cost estimating procedures. For each of the following years—Base Year 1998, Interim Year 1999, Interim Year 2000, and Test Year 2001— please state separately:

(a) the estimated costs of postal services,
(b) the estimated costs of nonpostal services.
(c) the estimated revenues of postal services,
(d) the estimated revenues of nonpostal services.
(e) Is it correct that some types of costs that make up the revenue requirement are jointly incurred by postal and nonpostal services? If so, explain the procedures you employ to allocate to nonpostal services their proper share of such costs. Include in your explanation, a description of the accounts and data systems used to make an allocation to nonpostal services of their proper share of costs.
(f) Do you estimate, for each of the years cited above, that nonpostal services, in the aggregate, will generate (i) a surplus (*i.e.*, make a contribution to institutional costs over and above the sum of the volume variable plus the product specific costs of providing nonpostal services), (ii) a deficit (*i.e.*, the revenues of nonpostal services are less than the sum of the volume variable plus the product specific costs of providing nonpostal services), or (iii) be in a position that the sum of the volume variable plus the product specific costs of nonpostal services equal the revenues they generate? Please explain in full.
(g) For the years cited above, is it anticipated that any nonpostal services have, or will be, offered at no charge to the users of the service? If so, please list all such services. Also, if your answer is affirmative, please state the source(s) of funds for operating each such service. If postal services are directly or indirectly the source of funds, then please so state.
(h) For the years cited above, is it anticipated that any nonpostal services have, or will be, offered at a rate or fee that does not cover the cost of providing the service? If so, please list all such services. Also, if your answer is affirmative, please state the source(s) of funds that make up any deficits in providing the service. If postal services are directly or indirectly the source of funds, then please so state.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE
(Redirected from Witness Tayman, USPS-T9)

RESPONSE:

(a-d) Please see the response to OCA/USPS-T9-30, redirected to the Postal Service. Following the logic of that response, please refer to following Cost and Revenue reports found in the testimony of witness Kashani: Interim Year 1999 (Exhibit USPS-14D), Interim Year 2000 (Exhibit USPS-14G), Test Year 2001 at current rates (Exhibit USPS-14J) and Test Year 2001 at proposed rates (Exhibit USPS-14M) for costs and revenues for each year. Revenue information may also be found in the testimony of witness Mayes: Interim Year 2000 (Exhibit USPS-32C), Test Year 2001 at current rates (Exhibit USPS-32A) and Test Year 2001 at proposed rates (Exhibit USPS-32B).

(e) Please see the response to OCA/USPS-T9-37, redirected to the Postal Service. The same reasoning applies to the year 1999 through 2001.

(f) Please see the response to OCA/USPS-T9-31, redirected to the Postal Service. The same reasoning applies to the year 1999 through 2001.

(g) Please see the response to OCA/USPS-T9-33, redirected to the Postal Service. The same reasoning applies to the year 1999 through 2001.

(h) Please see the response to OCA/USPS-T9-33, redirected to the Postal Service. The same reasoning applies to the year 1999 through 2001. Public service offerings would be funded by the revenue provided by both Postal and nonpostal fees.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE
(Redirected from Witness Tayman, USPS-T9)

OCA/USPS-T9-40. Does Postal Service management make presentations to the Board of Governors, the Governors alone, any Governors' committee(s), or any other subset of the Board of Governors on the costs of providing and revenues related to nonpostal services? Please explain the actions taken to make the financial condition of nonpostal services known to the Governors.

RESPONSE:

Postal Service management may make presentations to any or all of: the Board of Governors, the Governors alone, any Governors' committee(s), or any other subset of the Board of Governors depending on the "nonpostal" service under consideration. In terms of new "nonpostal" products or services, please see USPS-LR-I-262, "Other Investment-Related Policies and Procedures" Handbook F-66D, June 1999 for a description of how the Board of Governors is informed of decisions regarding the adoption of new products or services. For various established "nonpostal" products and services, the Board is informed quarterly on the financial condition including: expenses, revenues and contribution of certain nonpostal programs.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE
(Redirected from Witness Tayman, USPS-T9)

OCA/USPS-T9-41. Do the Board of Governors or the Governors alone approve management decisions:
(a) to offer nonpostal services,
(b) on the fees to charge for such services,
(c) on whether it is necessary for nonpostal services to make a contribution to the institutional costs of the Postal Service, or, conversely, whether they may be offered free or for a noncompensatory fee? Please explain fully. If these decisions are not subject to approval by the Board of Governors or the Governors, please describe how the Postal Service makes such decisions.

RESPONSE:

(a-c) The Board of Governors may approve management decisions as described in the question, although this is not always the case. For a description of the process involved with such decisions concerning "nonpostal" service, please see USPS-LR-I-262, "Other Investment-Related Policies and Procedures" Handbook F-66D, June 1999.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY OF OFFICE OF THE CONSUMER ADVOCATE, REDIRECTED FROM WITNESS DAVIS

OCA/USPS-T-30-1. Please refer to your answer to OCA/USPS-T-39-4a. (redirected from witness Mayo).

a. You state that costs in C/S-3 and C/S-7 have increased due to methodological changes resulting in higher variability factors for insurance. You then refer to the testimony of witnesses Bozzo, Baron, and Van-Ty-Smith. Please provide specific references to the testimonies that detail these changes.

b. Please describe the magnitude of these changes and their specific effects on the costs for insurance.

RESPONSE:

a. The specific references are as follows:

- USPS-T-12, pp. 31-37
- USPS-T-15, pp. 132-135
- USPS-T-17, pp. 18-19

b. To see the effects of these changes on the costs for insurance, please compare C/S-3 and C/S-7 from BY 1998 costs (as presented in Exhibit USPS-11A, pp. 19-20, 27-28) with C/S-3 and C/S-7 from FY 1998 costs (as presented in USPS-LR-I-3, pp. 19-20, 27-28).

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 "Mailers" 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 OF THE OCA REDIRECTED FROM WITNESS FRONK

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 OF THE OCA REDIRECTED FROM WITNESS FRONK

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.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF THE OCA
(REDIRECTED FROM WITNESS MAYO)**

OCA/USPS-T39-10. The "Notice of the United States Postal Service of Filing of the Second Set of Revisions to Library Reference USPS-LR-I-150 and the Testimony and Workpapers of Witness Kay -- Errata," filed on March 13, 2000 details fiscal year 1998 advertising costs. According to this document, the Postal Service spent $8.9 million on advertising for money orders.

a. Please provide specifics of this advertising campaign, including copies of advertisements, and a breakdown of the $8.9 million total by type of media (e.g., broadcast television, newspapers, magazines, radio, internet, other).

b. Please describe the markets where advertising was directed.

RESPONSE:

a.-b. Revised page 5a of LR-I-150, attached to the document cited in the question, shows that the $8.9 million figures is an estimate based on the total amount of advertising expenses allocated to Special Services, and the proportion of the Special Services total judgmentally estimated by the Special Services product manager to relate to Money Orders. The previous page, revised page 5, shows that the Special Services total amount, in turn, is based on the amount in the Special Services line item, plus a judgmental allocation of a portion of Specialty Markets, Retail Channel, and Area expenses, made by the responsible channel managers. Due to the nature of this estimation process, there is no information available to "breakdown" the $8.9 million figure in the manner requested by this question, even if such a breakdown were not commercially sensitive.

Examples of FY 1998 advertisements that feature Money Orders are being provided in USPS-LR-I-254. As the examples show, the media involved included outdoor posters, public transportation posters, newspaper ads, and radio. Similar posters would be displayed in post office lobbies. Direct mail would also be involved,

and an example would be the advertisement attached to UPS/USPS-T34-9 (redirected to the Postal Service). For Money Orders specifically, advertising was focused in three major metropolitan markets, and advertising was directed at the demographic segments most likely to use the product.

Response of United States Postal Service
to
Interrogatories of Pitney Bowes, Inc.

PB/USPS-1. Please refer to your response to PB/USPS-T11-10.

a. In what cost segment(s) does the Postal service record the $1,300,000 expense for order forms and other such costs for stamps by mail?
b. Please explain whether the Postal Service classifies the $1,300,000 as a volume variable or institutional cost.
c. Is the $1,300,000 included in the $36,000,000 expense for stamps by mail cited in your response to PB/USPS-T11-12, or does it represent an additional cost of that program?

Response:

a. Cost Segment 16, Component 179, Headquarters' printing and reproduction.

b. Institutional.

c. It is included in the $36,000,000.

Response of United States Postal Service
to
Interrogatories of Pitney Bowes, Inc.

PB/USPS-T11-1. For FY 1998 and FY 1999, provide the percentage of single piece First-Class Mail that was (i) metered, (ii) stamped, and (iii) permit, and indicate the source of the data.

Response:

For FY 1998, the percentages are as follows: Metered 44.01%; Stamped 48.84%; Permit 6.46%.

For FY 1999, the percentages are as follows: Metered 43.43%; Stamped 49.39%; Permit 6.44%.

The source of the data is Domestic RPW.

Response of United States Postal Service
to
Interrogatories of Pitney Bowes, Inc.

PB/USPS-T11-2 Provide all ODIS data for single piece First-Class Mail for FY 1998 and FY 1999.

Response:

The ODIS data for single piece First-Class Mail is as follows. There were approximately 58.6 billion pieces for FY 1998, and 58.1 billion pieces for FY 1999.

Revised 3/13/00

Response of United States Postal Service
to
Interrogatories of Pitney Bowes, Inc.

PB/USPS-T11-3. Confirm that when retail customers buy stamps and other services at Post Office counters, the Postal Service will accept various specified credit cards for payment, including American Express, Master Card and VISA.

a. Please confirm that the Postal Service does not charge its customers a fee for using a credit card as a form of payment when purchasing stamps. If you do not confirm, indicate the fee charged to stamp purchasers.

b. When customers have used credit cards to pay for stamps, and the Postal Service submits the appropriate records to credit card companies for payment, does the Postal Service (i) receive the **gross** amount which customers charged and subsequently pay a separate commission to the credit card companies, or (ii) receive a **net** amount that reflects the gross amount charged **less** the commission due the credit card company? Please explain.

c. If the Postal Service receives from credit card companies a net amount that reflects deduction of commissions owed to credit card companies, (i) does it record only the net amount as cash received, or (ii) does it record the gross amount as income and record the commissions as an explicit expense?

d. In terms of the amounts that customers charged to their credit cards, (i) what was the average percentage commission or service charge that the Postal Service paid to credit card companies in FY 1998, and (ii) what was the total amount of commissions paid to credit card companies in FY 1998?

e. In what cost segment and account does the Postal Service record commissions paid to credit card companies?

f. To what extent are fees for credit card usage treated as (i) volume-variable, (ii) attributable, and (iii) incremental?

Response:

Confirmed.

a. Confirmed. The USPS does not charge customers a fee for using a credit card.

Revised 3/13/00

Response of United States Postal Service
to
Interrogatories of Pitney Bowes, Inc.

b. The Postal Service does not submit records directly to credit card-companies, nor does the Postal Service pay a commission to credit card companies. However, the Postal Service does pay a number of fees to the credit card companies. The Postal Service records the payment as gross revenues. The Postal Service then pays fees later. The fees are recorded as an expense.

c. The Postal Service records the credit card payments as revenue. The fees we pay to credit card companies are recorded as an expense.

d. See response to subpart (b) above. The total amount of fees paid to credit card companies in FY 1998 was approximately $22,660,913.

Response of United States Postal Service
to
Interrogatories of Pitney Bowes, Inc.

PB/USPS-T11-9 In FY 1998, how many stamp vending machines were operated by the Postal Service?

a. What was the cost of those vending machines when purchased?

b. Are stamp vending machines expensed when acquired, or are they depreciated over time? If they are depreciated like other capital investments, (i) over how many years, and (ii) how much of the cost was charged to depreciation expense in FY 1998?

c. What portion (if any) of the depreciation expense for stamp vending machines was treated as volume-variable?

Response:

In FY 1998, there were 36,016 vending machines in service.

a. Cost varied by machine model. There were 27 different models of machines in service during FY 1998. Cost information available for each machine model is attached.

b. Machines are depreciated over a ten-year period. Cost charged to depreciation expense in FY 1998 was $6,091,966.00.

ATTACHMENT
PB/USPS-T11-9

FY 1998, AP 13

Models in Service	Year of Purchase	Qty in Svc	Cost Each	Total Cost of Qty of Machines in Service	10% Depreciation Each (Depreciate over 10 yrs)	Total amount of depreciation charged
SI-5	1961	1	NA		$ -	
SI-15	1963	1	NA		$ -	
SI-115	NA	1	NA		$ -	
PS-86	1979	106	NA		$ -	
PS-53	1978	113	NA		$ -	
PS-53B	1980	71	NA		$ -	
PS-53C	1986	7186	$ 1,007.00	$ 7,236,302.00	$ -	
PS-53D	1988	4117	$ 1,600.00	$ 6,587,200.00	$ -	
PS-53CMOD	1988	971	$ 1,400.00	$ 1,359,400.00	$ -	
PS-22	1995	586	$ 3,560.00	$ 2,086,160.00	$ 356.00	$ 208,616.00
PBM-1&1a	1980	37	NA		$ -	
SBVM-3	1983	2	NA		$ -	
PBM-4	1983	138	NA		$ -	
PBM-5	1986	39	NA		$ -	
PBM-2	1986	3201	$ 780.00	$ 2,496,780.00	$ -	
PBM-6	1987	5208	$ 1,114.00	$ 5,801,712.00	$ -	
PBM-7	1995	410	$ 3,680.00	$ 1,508,800.00	$ 368.00	$ 150,880.00
PCM-21	1980	223	NA		$ -	
21CE-64	1964	15	NA		$ -	
21CE-72	1972	350	NA		$ -	
GSM-76	1976	4	NA		$ -	
PCM-1625A	1989	792	$ 5,200.00	$ 4,118,400.00	$ 520.00	$ 411,840.00
PCM-1625B	1993	4200	$ 4,500.00	$ 18,900,000.00	$ 450.00	$ 1,890,000.00
PCM-1625B	1995	429	$ 5,400.00		$ 540.00	$ 231,660.00
SCC-1	1984	1	NA		$ -	
SCC-3	1986	3244	$ 1,150.00	$ 3,730,600.00	$ -	
PBSM-624	1994	4570	$ 7,000.00	$ 31,990,000.00	$ 700.00	$ 3,199,000.00
	27 models	36016	$ 36,391.00	$ 85,815,354.00	$ 2,934.00	$ 6,091,996.00

Response of United States Postal Service
to
Interrogatories of Pitney Bowes, Inc.

PB/USPS-T11-10 For the stamps-by-mail program, how many advertising fliers and order forms did the Postal Service distribute to potential customers during FY 1998?

a. What were the costs associated with printing and distributing those fliers?

Response:

There were no advertising fliers produced at the corporate level. Order forms were produced. The number of order forms distributed to potential customers during FY 1998 is not known. However, the Postal Service estimates that a total of 64 million order forms were printed at a cost of $1.3 million. These numbers do not include any fliers or forms that may have been distributed at the local level as that information is not tracked.

Response of United States Postal Service
to
Interrogatories of Pitney Bowes, Inc.

PB/USPS-T11-12 For FY 1998, and for each of the different marketing channels which the USPS uses to sell stamps (*e.g.*, counters, contract stations, vending machines, stamps-by-mail, consignment sales, etc.) please provide data showing the revenues collected from the sale of stamps for each channel which the Postal Service is able to identify separately.

a. To the extent that costs are available for the different channels identified in response to preceding part a, please provide and indicate whether they are (i) volume variable, (ii) attributable, or institutional.

b. For all costs provided, also indicate whether (i) they are direct costs only, or (ii) all appropriate indirect and piggyback costs are included. If they are direct costs only, please indicate what the appropriate piggyback factor should be, if applicable.

Response:

FY 1998 Revenues were as follows:

Postage stamps sales at counters = 8,598,083,719

Postage stamp sales at contract stations = 569,023,632

Postage stamp sales through vending = 612,380,000

Postage stamp sales through local by mail program = 315,774,590

Postage stamp sales by consignment = 167.9 million local
590.3 million Amplex contract

Response of United States Postal Service
to
Interrogatories of Pitney Bowes, Inc.
(Redirected from witness Meehan, USPS-T-11)

PB/USPS-T11-14. To how many retail outlets does the Postal Service distribute stamps through its stamp distribution network?

Response:

The stamp distribution network distributes to 35,411 retail outlets.

Response of United States Postal Service
to
Interrogatories of Pitney Bowes, Inc.
(Redirected from witness Meehan, USPS-T-11)

PB/USPS-T11-15. Please refer to your response to OCA/USPS-48. What was the estimated value of all postage stamps in the hands of the public (in aggregate) in Base Year 1998?

Response:

Page 59 of the Postal Service's annual report shows 1998 "Estimated Prepaid Postage"

in the amount of $1,673,000,000.

Response of United States Postal Service
to
Interrogatories of Pitney Bowes, Inc.
(Redirected from witness Meehan, USPS-T-11)

PB/USPS-T11-17. During Base Year 1998, how much did the Postal Service spend to operate its stamps-by-phone program?

b. In what cost segment(s) were these costs recorded?

c. Are these costs classified as volume variable?

d. What was the amount of revenues generated by the stamps-by-phone program?

Response:

d. In FY 1998, the Postal Service posted $6.1 million in receipts under Stamps-By-Phone.

Response of United States Postal Service
to
Interrogatories of Pitney Bowes, Inc.
(Redirected from witness Meehan, USPS-T-11)

PB/USPS-T11-18. For Base Year 1998, please provide for (i) First-Class letters, flats and IPPs, and (ii) cards the percentage that was stamped, metered and permit, and indicate the source of the data. If the percentages provided in response to this question do not add up to 100 percent, please provide an explanation for the balance.

Response:

For Base Year 1998, (i) the percentage of First-Class letters, flats and IPPs that was stamped is 29.4%, metered 51.3%, and permit 19.1%, (ii) the percentage of First-Class cards that was stamped is 28.9%, metered 16.1%, and permit 55.0%.

The source of this data is GFY 1998 RPW data presented by witness Pafford (USPS-T4) and witness Hunter (USPS-T5).

The balance of the percentage is due to government agency and unknown indicia.

RESPONSE OF WITNESS TAYMAN TO INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE
(Redirected from witness Meehan, USPS-T11-24)

PB/USPS-T11-24. Please provide the productive hourly wage rate for clerks and mailhandlers in FY 1998, FY 1999, and the rate that was used in the roll-forward model for Test Year 2001.

Response:

As shown in Chapter VIIIe, pages 440 and 441 of LR-I-127, the Hourly Wage

Rates for Clerks & Mailhandlers are as follows:

FY 1998: $24.880

FY 1999: $25.898

FY 2000: $26.953

TY 2001 BR: $27.974

TY 2001AR: $27.970.

Response of United States Postal Service
to
Interrogatories of Pitney Bowes, Inc.
(Redirected from witness Meehan, USPS-T-11)

PB/USPS-T11-25. The *Financial and Operating Statements* for Accounting Period (A/P) 13, FY 1998, page 5, indicates that Year-to-Date metered postage amounted to $24,696.4 million.

a. Was the above-cited value for metered postage derived from money that was transferred from the Trust Fund for metered postage, or was it derived from ODIS mail samples? What was the equivalent value for FY 1999?

b. If ODIS samples were the basis for deriving the above-cited value for metered postage, does the amount for metered postage include "meter strips" printed by USPS retail terminals and recorded by ODIS as "metered"? (As opposed to "stamped"?)

c. If your response to the preceding question is affirmative, how much of the revenue shown under "metered postage" was generated through application of USPS-applied metered postage during Base Year 1998? What was the equivalent amount for FY 1999?

d. How much of the revenue shown under "metered postage" was generated through application of mailer-applied metered postage during Base Year 1998? What was the equivalent amount for FY 1999?

e. Please provide a breakdown of the amounts of metered postage applied by the USPS as a part of window service activities within Service Categories such as shown on the Revenue Pieces and Weight (RPW) report by Class of Mail and Special Services (*i.e.* Single Piece Letters, Flats, and IPPs, etc).

Response:

a. Revenue from meters is derived from meter sales and meter settings and not from ODIS samplings. Approximately 49% of the meter postage amount was derived from money that was transferred from the trust fund for metered postage. The equivalent value for FY 1999 is approximately 54%.

b. Not applicable.

c. Not applicable.

d. Revenue shown under metered postage that was generated through application of mailer-applied metered postage during Base Year 1998 was approximately 85%. The equivalent percentage for FY 1999 is 84%.

e. The information is not available to provide this breakdown.

Response of United States Postal Service
to
Interrogatories of Pitney Bowes, Inc.
(Redirected from witness Meehan, USPS-T-11)

PB/USPS-T11-26. Please refer to your response to PB/USPS-T11-12, your statement that "W/S 3.2.1 column 9 shows the cost of selling stamp[s] at the window of $759,673,000, of which 350,361,000 is volume variable . . ."

a. Please explain how the Postal Service classifies the non-volume variable portion of the $759,673,000 cost of selling stamps at windows? That is, how is the $409,312,000 classified by the Postal Service?

b. Please explain how the Commission classifies the non-volume variable portion of the $759,673,000 cost of selling stamps at windows? That is, how is the $409,312,000 classified by the PRC?

Response:

b. The PRC classifies the amount as institutional. However the amount is not $409,312,000, but $417,930,000. This difference is due to the PRC's different method for determining window service accrued costs: $775,668,000 vs. the USPS's $759,673,000, of which the same percentage (46.12%) or $357,738,000 is attributable and the balance, $417,930,000, is institutional.

RESPONSE OF THE U.S. POSTAL SERVICE TO INTERROGATORIES OF PITNEY BOWES, INC. REDIRCTED FROM WITNESS FRONK

PB/USPS-T33-2. For BY 1998 provide the unit cost for all subsets of nonpresort single piece First-Class Mail for which the Postal Service has estimates (*e.g.*, for metered mail, QBRM, "dirty mail" etc.). Do not provide estimates for subsets that are homogeneous by shape, such as letters, flats, or parcels, or for non-standard pieces that weigh less than one ounce.

Response:

All the cost estimates we have, which are subsets of nonpresort single piece First-Class Mail, are homogenous by shape. In the event any of these could be of use, see the *following references.* The testimony of witness Smith, USPS-T-21, Attachment 17 pages 1 and 2 contains First-Class single-piece mail processing unit costs by shape and First-Class single-piece metered letter mail processing unit costs. On QBRM, see the testimony of witness Campbell, USPS-T-29. On costs by ounce increment see the testimony of witness Daniel, USPS-T-28, at Table 1 and also USPS-LR-I-91.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES
OF PITNEY BOWES REDIRECTED FROM WITNESS FRONK

PB/USPS-T33-3. Please refer to your response to MMA/USPS-T33-1 and the Postal Service's response to PB/USPS-T11-1 (redirected from witness Meehan). According to your response to MMA/USPS-T33-1, in FY 1998 and FY 1999 the percentage of *Nonpresort (Letters, Flats & Parcels)* that is Metered Letters was 34.99 and 34.07, respectively. According to PB/USPS-T11-1, the percentage of single piece First-Class Mail that was metered in FY 1998 and FY 1999 was 48.84 and 49.39 percent, respectively.

(a) Please reconcile the above percentages.

(b) The RPW Report (Revised) for GFY 1998 shows 53,781,254,000 single piece Letters, Flats and IPPS. Please provide both the number and percentage that were (i) metered, (ii) stamped, (iii) permit and (iv) other (specify) and indicate the source used to derive the percentages.

(c) The RPW Report (Revised) for GFY 1998 shows 2,944,565,000 Single-Piece cards. Please provide both the number and percentage that were (i) metered, (ii) stamped, (iii) permit and (iv) other (specify) and indicate the source used to derive the percentages.

RESPONSE: This interrogatory contains numerical errors which need to be corrected in order to address the specific questions raised. First, the percentages quoted from PB/USPS-T11-1 are for stamped mail, not metered mail. Per the response to PB/USPS-T11-1, the metered mail percentage for FY 1998 is 44.01 percent, not 48.84 percent. The metered mail percentage for FY 1999 is 43.43 percent, not 49.39 percent. Second, parts (b) and (c) above quote incorrect revised RPW numbers for GFY 1998. The 53,781,254,000 quoted in part (b) should be 54,273,024,000, and the 2,944,565,000 quoted in part (c) should be 2,971,751,000.

(a) The response to PB/USPS-T11-1 provided the percentage of all single-piece mail that was metered, regardless of shape (letters, flats, parcels, and cards). The response to MMA/USPS-T33-1 focused on metered letters only and provided the percentage of single-piece letters, flats, and parcels that was metered letters, as indicated in that response's column headings. Also, the data sources used were different, as indicated in the responses. The percentage data presented in the response to MMA/USPS-T33-1 were from ODIS, while the percentage data presented in the response to PB/USPS-T11-1 were from RPW.

Using 1998 as an example, the metered letter percentage of 34.99 percent

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES
OF PITNEY BOWES REDIRECTED FROM WITNESS FRONK

RESPONSE to PB/USPS-T33-3 (continued)

presented in the response to MMA/USPS-T33-1 was derived using single-piece ODIS data presented in the attachment to the response to OCA/USPS-42 (metered letters with FIM of 490,776,846 + metered letters without FIM of 18,787,203,524 / total letters, flats, and parcels of 55,101,443,230). To calculate the same overall metered percentage shown in PB/USPS-T11-1 using the ODIS data presented in the attachment to OCA/USPS-42, one would pull total metered data for letters, flats, parcels, and cards combined and divide by total single-piece First-Class Mail (514,355,093 + 23,772,563,936 / 58,608,618,102). The result, 41.44 percent, is now calculated on the same shape basis as PB/USPS-T11-1, but differs from the 44.01 percent in PB/USPS-T11-1 due to the difference in the underlying data sources.

(b) The requested indicia breakdown of First-Class single-piece letters, flats, and parcels from domestic RPW for GFY 1998 is:

	Vol (000)	Percent
Metered	24,325,432	44.8%
Stamped	26,340,548	48.5
Permit	3,361,422	6.2
Other	245,622	0.5
Total	54,273,024	100%

(c) The requested indicia breakdown of First-Class single-piece cards from domestic RPW for GFY 1998 is:

	Vol (000)	Percent
Metered	817,229	27.5%
Stamped	1,546,077	52.0
Permit	597,639	20.1
Other	10,806	0.4
Total	2,971,751	100%

RESPONSE OF US POSTAL SERVICE TO INTERROGATORIES OF POSTCOM

Postcom/USPS-1. Please refer to the Semi-Annual Report of the Postal Service Office of Inspector General ("OIG") dated October 31, 1999 (for the period April 1, 1999 - September 30, 1999). Under the Inspector General's message section the following statement appears:

> "In the last six months, with the support of the Postal Service Governors and the assistance of management and employees, we issued over 100 reports representing over $1.1 billion in savings and potential cost avoidance during the current and future years."

(a) Does the Postal Service agree with the savings and potential cost avoidance estimates asserted by the OIG? Please explain in detail any disagreement with respect to the OIG's assertion of $1.1 billion in savings and potential cost avoidance and set forth the amount of savings that the Postal Service itself estimates will result from such reports.

(b) To what extent, if at all, are the savings resulting from the OIG's reports explicitly reflected in the estimated revenues and costs that the Postal Service has used in this docket for FY1999? Please provide any studies or workpapers showing how the recommendations of the OIG were incorporated in the development of such estimates.

(c) To what extent, if at all, has the potential cost avoidance estimated by the OIG been explicitly incorporated into the Postal Service's revenue and cost forecasts for FY2000 and the Test Year? Provide any studies or workpapers showing how the OIG recommendations were incorporated in the development of such forecasts.

RESPONSE:

(a) The $1.1 billion in savings and potential cost avoidance identified in the OIG report pertain to four OIG reports. The Postal Service generally agrees with these findings and their specific position on each report finding is contained on pages 44 through 46 of the OIG Semi-Annual Report.

(b) As mentioned in response to (a) above, the $1.1 billion relates to four reports.

RESPONSE OF US POSTAL SERVICE TO INTERROGATORIES OF POSTCOM

Postcom/USPS-1. continued

They are:

Report	Savings & Cost Avoidance
Corporate Call Management	$ 962 M
Emergency & Extra Trips	$ 137 M
Rail Detention Costs	$ 55 M
Natural Gas Vehicles	$ 13 M

The report on Corporate Call Management indicates that $962 million in cost avoidance through FY 2007 can be realized. As stated on page 46 of the report, management has slowed implementation of this program and the costs for this program included in this rate filing are consistent with the findings of the OIG. The $137 million for Emergency and Extra Trips and the $50 million for Rail Detention Costs covers a five year period. These savings are included in the transportation cost reductions reflected in this rate filing (see LR-127, Ch. IV, Section f). Likewise, savings pertaining to incentives and expanded use of natural gas vehicles are incorporated in the transportation reductions included in the rate filing.

RESPONSE OF US POSTAL SERVICE TO INTERROGATORIES OF POSTCOM

Postcom/USPS-2. How are costs and expenses of the Postal Inspection Service and the OIG reflected in (a) total accrued costs for the Base Year, (b) estimated costs for FY1999, (c) estimated costs for FY2000, and (d) estimated costs for the Test Year?

RESPONSE:

In the base year, the personnel costs of the OIG and the Inspection Service are reflected as part of cost components 191 and 195 respectively. Both of these components are in cost segment 18. Most non-personnel costs for the OIG and the Inspection Service are reflected in the cost segment and component to which they apply. For example, OIG and Inspection Service printing costs would be included in component 179 and supplies and services costs would be included in components 177 and 210. Base year costs are rolled forward into the test year by applying the source of change factors described and explained in USPS-T-9, USPS-T-14, and LR-I-127.

RESPONSE OF US POSTAL SERVICE TO INTERROGATORIES OF POSTCOM

Postcom/USPS-3. Please refer to the Postal Service's response to PSA/USPS-3 in which it is stated that "estimated changes in accrued costs . . . are greater than the estimated changes" in the CPI for each of FY2000 and the Test Year.

(a) Please confirm that in its decision in Docket R97-1, the Commission recommended a reduction of the Postal Service's revenue request by approximately $745 million of which approximately $511 million were the result of known and certain changes to the estimates the Postal Service originally presented. If not confirmed, please explain why.

(b) To what extent, if at all, are the estimated changes in accrued costs for FY2000 and the Test Year greater than the estimated changes in the rate of inflation for each of those years intended as an offset to either (or both) of the overall reduction in the revenue requirement in Docket R97-1 or the approximately $511 million adjustment made by the Commission to reflect forecast errors in that case?

(c) To what extent, if at all, are the estimated changes in accrued costs for FY2000 and FY2001 greater than the estimated changes in the rate of inflation intended as an offset to the decision to defer until January, 1999 implementation of the rates recommended by the Commission in Docket R97-1?

RESPONSE:

(a) As reflected In Appendix C of the Docket R97-1 Appendices to Opinion and Recommended Decision, Volume 2, the PRC made revisions to the Postal Service filing which improved test year net income by $745 million. $511 million of these adjustments were described by the PRC as "known and certain".

(b) The Postal Service's Docket R2000-1 estimates of accrued costs for FY 2000 and the test year represent our best estimates at the time the estimates were developed. They were not inflated to offset the adjustments made by the PRC to

RESPONSE OF US POSTAL SERVICE TO INTERROGATORIES OF POSTCOM

Postcom/USPS-3. Continued

the Docket R97-1 filing. Please note that the $511 million of adjustments described by the PRC as "known and certain" were not errors, but largely updates for later information. Also note that the Postal Service acknowledged these adjustments and other partially offsetting adjustments which the PRC chose not to reflect.

(c) The Postal Service's estimated changes in accrued costs for FY2000 and the Test Year were not inflated to offset the impact of the decision to defer implementation of the rates recommended by the Commission in Docket R97-1 until January, 1999.

RESPONSE OF US POSTAL SERVICE TO INTERROGATORIES OF POSTCOM

Postcom/USPS-4. Please refer to the last sentence of the Postal Service's response to PSA/USPS-3 in which the Postal Service partially restates Witness Tayman's response to DMA/USPS-T-9-16 in these words: "The cumulative rate increase over the last two rate cycles is 5% below inflation."

(a) Is it the Postal Service's position that, because the average rate increase in the historic period (January, 1995 - January, 1999) proved to be lower than the cumulative rate of inflation for such period, this justifies projecting increases in accrued costs at greater than the rate of inflation for future years (FY2000 and the Test Year)? Please explain in detail any affirmative answer.

(b) Is it the Postal Service's position that, if the average rate increase in the historic period (January, 1995 - January, 1999) had exceeded the cumulative rate of inflation for that period, this would require the use of estimates of accrued costs for a future years (FY2000 and the Test Year) that are lower than the estimated changes in inflation for that period? Please explain in detail any affirmative answer.

(c) Please confirm that the last sentence of the Postal Service's response to PSA/USPS-3 is based on a comparison of rates of inflation to "average rate increase" as shown in Witness Tayman's response to DMA/USPS-T-9-16 and not to the rate increases experienced by individual subclasses of mail.

(d) If, in connection with the preparation of its filing in this docket, the Postal Service has performed any studies comparable to the comparison set forth in response to DMA/USPS-T-9-16 for any or all subclasses of mail, please provide a copy of such studies.

RESPONSE:

(a) This is not offered as justification, but is simply a statement of the facts. The average rate increase in the historic period (January, 1995 - January, 1999) was lower than the cumulative rate of inflation for that period. And while the average rate increase requested in this filing is greater than the projected rate of inflation for the period since the previous rate increase, the cumulative rate of inflation

RESPONSE OF US POSTAL SERVICE TO INTERROGATORIES OF POSTCOM

Postcom/USPS-4. continued

over both periods taken together is less than the cumulative average rate increase over the same period.

(b) See the response to (a).

(c) Confirmed.

(d) In connection with the preparation of its filing in this docket, the Postal Service has not developed any studies comparable to the comparison set forth in the response to DMA/USPS-T9-16 for any or all individual subclasses of mail. The Docket R2000-1 Exhibit USPS-32D, and Schedule 1 from Appendix G in the Docket R97-1 Appendices To Opinion and Recommended Decision Volume 2, reflect percentage increases in revenue per piece for individual classes of mail. These could be compared to the inflation rates calculated in the response to DMA/USPS-T-9-16.

RESPONSE OF US POSTAL SERVICE TO INTERROGATORIES OF PARCEL SHIPPERS ASSOCIATION

PSA/USPS-1. In the Postal Service's filing it is stated that there is an anticipated implementation date of January 1, 2001. Please explain whether the filing assumes that the increase requested will be in effect for all of the Test Year 2001, or only for a part of the Test Year.

RESPONSE:

The Postal Service filing assumes that proposed rates are in effect for all of the Test Year (FY2001). test year.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF PARCEL SHIPPERS ASSOCIATION

PSA/USPS-2

In this filing you have proposed to rename portions of what is currently the Standard (B) class. You have renamed Destination Entered Parcel Post as "Parcel Select." Do you intend that this be a new sub-class? A new rate category? Or simply a change of name without any classification significance?

RESPONSE:

None of the Standard Mail name changes indicated in Attachment A to the Request is intended to have any substantive classification effect. Indeed, some have already been implemented by the Postal Service. The Postal Service is simply requesting that the Commission recommend changes to the DMCS that reflect current and planned Postal Service business usage.

Parcel Select-DMBC, Parcel Select-SCF, and Parcel Select-DDU are identified (in proposed sections 521.23, 521.24, and 521.25) as new names for the existing rate categories (proposed section 521.2) of the existing Parcel Post subclass (proposed section 521).

To the extent the term "Parcel Select" may be used in testimony or elsewhere, it is simply a collective term for the three rate categories mentioned above.

RESPONSE OF US POSTAL SERVICE TO INTERROGATORIES OF PARCEL SHIPPERS ASSOCIATION

PSA/USPS-3. If the audited FY 1999 financials, when available, confirm that the USPS operated at a surplus, please explain whether your projected operating costs in FY 2001 show increases greater or less than the USPS assumes will be the rate of inflation for FY 2000 and 2001 combined in the U.S. economy.

RESPONSE:

As stated on page 11 of USPS-T-9, the Postal Service realized a net income of $363 million in FY 1999. Estimated changes in accrued costs of 3.6% for FY 2000 and 3.8% for FY 2001 (Exhibit USPS-9M) are greater than the estimated changes in the CPI-W of 2.7% for FY 2000 and 2.0% for FY 2001 (Table 14 of USPS -T-9). However, as indicated in witness Tayman's response to DMA/USPS-T9-16, the cumulative rate increase over the last two rate cycles is five percent below inflation.

RESPONSE OF US POSTAL SERVICE TO INTERROGATORIES OF PARCEL SHIPPERS ASSOCIATION

PSA/USPS-4 In response to PSA/USPS-3, the Postal Service responded that, even though the estimated changes and accrued costs for FY 2000 and FY 2001 are greater than the estimated changes in the CPI-W (by a cumulative amount of 2.7%, that is, 7.4% for FY 2000 and FY 2001 versus 4.7% for the CPI estimates for FY 2000 and 2001), the increases over the previous two rate cycles were 5 % below inflation.

(a) Please explain why below-inflation rate increase over the previous two rate cycles are a justification for higher than inflation rate increases over a future rate cycle?

(b) Is it not more the case that your below-inflation rate increases over the previous two rate cycles, which coincided with unprecedented postal surpluses, require that the Postal Service explain why it is departing from a pattern of below-inflation rate increases?

RESPONSE:

(a) Please see the response to Postcom/USPS-4a and b.

(b) The Postal Service has explained the basis for the rate increases proposed in this filing. The revenue requirement is explained in USPS-T-9, the distribution of costs is explained in USPS-T-11 and USPS-T-14, and the design of rates is explained in USPS-T-32 and the testimonies of the rate design witnesses for the various classes of mail.

REVISED RESPONSE OF UNITED STATES POSTAL SERVICE
TO PSA INTERROGATORY REDIRECTED FROM WITNESS MAYES
(3/29/00)

PSA/USPS-T32-8.

In PSA/USPS-T32-1(d)(i), you are asked to describe the corrections made to FY 1997 and 1998 because of the "improved data collection" in your reference. As a response to that question you refer to the Postal Service's response to UPS/USPS-T5-13 redirected from witness Hunter. That answer is not responsive to the question. That question asked you to explain why there was not a large increase in the total revenue from 1997 to 1998 for Parcel Post that corresponded with the large increase in volume. PSA/USPS-T32-1 (d) (i) asked you to describe the corrections that you made to FY 1997 and 1998 because of the improved data collection. The Postal Service response redirected from witness Hunter does not in any way describe the corrections in revenues and volumes that were made to FY 1997 and 1998. Please supply that corrected data for the record.

Response:

The phrase improved "data collection" refers to the change made in FY 99 to use mailing statement data for RPW Parcel Post revenues and volumes, instead of the previously used sampling data. The former data represent a census of mailings at automated Bulk Mail Entry Units and, as such, represent an improvement over the previous method. This revision in data sources was applied to official FY 1998 data, but was not applied to official FY 1997 data. The revised GFY 1998 RPW data are presented in Tables 1 through 3, attached to the testimony of witness Hunter, USPS-T-5. For GFY 1997, although no "revised" data are available, the Postal Service did conduct a simulation exercise to estimate RPW results that would have been produced under the new procedures. For GFY 1997, the results of that simulation exercise yielded estimates for Parcel Post of 290,478,000 pieces and $899,567,000 in revenue.

RESPONSE OF U.S. POSTAL SERVICE
TO INTERROGATORIES OF STAMPS.COM
REDIRECTED FROM WITNESS FRONK

STAMPS.COM/USPS T-33-6.
(a) Are the primary users of QBRM accounts business entities?
(b) Are there a substantial number of non-business users of QBRM accounts?
(c) Are there any studies on what types of entities (e.g., businesses, consumers) use QBRM accounts? If so, please produce them.

RESPONSE:

(a) – (c) The Postal Service does not maintain studies that classify QBRM accounts by type of entity. The Permit System, which includes BRM permit holders, maintains records by permit and customer name, but does not categorize customers by type. While not customer-based data, the Postal Service notes that the attached table (from USPS LR-H-179, Docket No. R97-1) does provide volume share data by industry for all types of BRM, including QBRM.

Nevertheless, based on a general understanding of Qualified Business Reply Mail customers, it appears that the primary users of QBRM accounts are business entities, with a substantial number of QBRM accounts also maintained by not-for-profit entities such as fundraising organizations and government institutions. In terms of consumers or households, while it would be possible for them to maintain a QBRM account, it appears highly unlikely that they would find it cost-effective or practical.

Attachment to Stamps.com /USPS-T-32-6

BRM Practices Survey -- Christensen Associates

Table 7: Industries Which Represent the Largest Share of Facilities' BRM Volume (Postage Due #5)

Industry	Percent of Volume
Banking and Finance	17%
Insurance	6%
Medical	5%
Education	2%
Publishing	5%
Retail	7%
Manufacturing	2%
Government	4%
Computers	2%
Tourist	0%
Marketing	1%
General Services	6%
Utilities	1%
Trucking	0%
Oil	0%
Other/Unknown*	19%
No response given	22%
	100%

*Industry was characterized as 'unknown' when it could not be determined from the company name provided.

Response of the United States Postal Service
to Interrogatory of Time Warner Inc.

TW/USPS–1. Please refer to Table I-2B, which provides FY98 manhours per MODS code, organized per LDC.

a. Please confirm that MODS also provides measures of mail volumes, as pieces handled (TPH) and pieces fed (TPF) at the MODS operations under LDC 11, 12, 13 and 14. If not fully confirmed, please specify which volume measures are produced in MODS for each of the MODS codes listed under those LDC codes.

b. Please provide the available measures of FY98 MODS volumes for each MODS code under LDC's 11, 12, 13 and 14. Please provide the results in spreadsheet form, if possible.

c. Please provide MODS FY99 measures of mail volumes and manhours for each MODS code under LDC's 11, 12, 13 and 14.

d. Are MODS data for mail volumes and manhours for the operations referred to above available for any portion of FY2000? If yes, provide that information for the accounting periods for which it is available. If not, when is such information likely to be available.

TW/USPS–1 Response.

It is assumed that the question refers to Table I-2B of USPS-T-17.

a. Confirmed. Please note that TPF are normally not recorded for manual operations.

b. FY98 MODS TPH and TPF data for the referenced operation numbers will be provided in LR-I-190.

c. FY99 MODS TPH, TPF and workhour data for the referenced operation numbers will be provided in LR-I-190.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF TIME WARNER, INC.

TW/USPS-2. Please refer to the Attachment to this interrogatory, entitled "MTAC Package Integrity Work Group Charter." Please provide an electronic copy of all of the data collected at the six data collection sites referred to in the Attachment.

TW/USPS-2 Response:

The requested information is provided in USPS-LR-I-297.

MTAC PACKAGE INTEGRITY WORK GROUP CHARTER

Team Sponsors:
- MTAC Steering Committee Sponsor: Joe Schick, Quad/Graphics, Inc.
- USPS Management Sponsor: David Goldstein, Manager P&DC Operations

Team Leaders:
- Issue Originator and Industry Co-Chair: Russell Shores, Brown Printing Co.
- USPS Work Group Leader: Cheryl Beller, Operational Requirements

Team Consultant:
- William J. Goodwin, USPS Quality Specialist

Team Members:
- Patrick Killeen, P&DC Operations, USPS
- RoseMarie Gay, Operational Requirements, USPS
- Patricia Imes, Business Mail Acceptance, USPS
- Robert Prince, Allegheny Area, USPS
- Susan Sylvester, Northeast Area, USPS
- Anthony Debush, Great Lakes Area, USPS
- Thomas Bigler, Los Angeles BMC, USPS
- Val Scansaroli, Meredith Corp.
- Joseph Fogel, Philadelphia BMC, USPS
- Sander Glick, PPC for Direct Marketing Assn.
- Chris Comboy, USPS

MISSION: To improve mailer packaging and USPS processing of Periodicals and Standard Mail (A) flats to reduce bundle breakage and lower USPS operational costs.

Background:
Packages of Periodicals and Standard Mail (A) flats are at risk of breaking apart at various points during processing by the Postal Service before they reach the appropriate location where piece distribution should occur based on the preparation of the mail and worksharc discounts claimed by the mailer. This mail incurs additional handling costs as a result of the package breakage and loss of presort. There is some evidence that certain mailpiece characteristics and packaging methods may negatively impact package integrity. There is also evidence that some of the methods used by the Postal Service to process mail at small parcel and bundle sorting (SPBS) machines, where the majority of flats package processing occurs, may contribute to package breakage. Earlier USPS studies on package and bundle integrity also identified package breakage problems resulting from mail preparation and mail handling methods. Few steps have been taken since the earlier studies were conducted to address these issues and the data collected in this study indicates an increase in the percentage of broken packages in sacks.

Team Schedule: The work group held it's initial meeting with a group of interested industry and postal representatives on April 20, 1999. The team leaders, members, and consultant, met at the Philadelphia P&DC September 14-16 to develop and test a methodology for collecting data to document the number of broken packages at the *first step* in the USPS processing of individual mailer-produced packages. This first step is the location where mailer containers (sacks and pallets) are dumped for processing at the SPBS machines. Six data collection sites (2 BMCs and 4 P&DCs) were selected and data was collected over 3-days at each location during the period [illegible] October 4 through November 18. An initial report of the group's findings will be released in January 2000. The team will meet as required. Our expected project completion date is June 30, 2000.

Deliverables:
The team plans deliverables in the following areas:
1. Project plan showing breakdown of tasks and projected completion dates.

2. Quantify the volume of broken packages of Periodicals and Standard Mail (A) flats that occur during USPS processing.
3. Identify mailer package preparation methods and USPS processing methods that are most likely to lead to package breakage.
4. Identify best practices and other methodologies for packaging and processing of packages.

Team Training: The team leaders and several team members participated in the QI (Quality Improvement) Story training presented by our team consultant to ensure we succeed in our mission by understanding and following the process management model.

David Goldstein, , Manager P&DC Operations

Cheryl Beller, Operational Requirements

Russell Shores, Brown Printing Co.

Joe Schick, Quad/Graphics, Inc.

Response of the United States Postal Service
To Interrogatories of Time Warner Inc.

TW/USPS-3 Please confirm that the Postal Service recently (e.g., within the last few years) has modified some of the conversion factors used in MODS to estimate first handling pieces (FHP) at distribution operations. If not confirmed, please specify when the latest such change took place.

TW/USPS-3 Response.

Confirmed.

Response of the United States Postal Service
To Interrogatories of Time Warner Inc.

TW/USPS-4 Please provide documentation of all conversion factors currently used in MODS. Additionally, please answer the following.

a. *Precisely how do the new conversion factors differ from those previously used?*

b. Why are the new factors more accurate than those they replaced?

c. Besides the impact on FHP calculations, has there been any recent change in the way that total pieces handled (TPH) at manual operations are calculated once the FHP are known? If yes, please explain all such changes.

d. For which of the cost pools used in the Postal Service's current rate filing would the new conversion factors affect estimates of TPH?

e. For which cost pools would the recent change in conversion factors tend to lower the estimated TPH?

f. What is the first accounting period and fiscal year in which MODS volumes were based entirely on the new conversion factors?

TW/USPS–4 Response.

a. Please see the table of *MODS conversion factors provided in response to* ADVO/USPS-3.

b. The new conversion factors are based upon a random sample of mail weighed for conversion to FHP in FY 1998. Thus, the updated conversion factors would tend to better reflect current mail characteristics.

c. No.

d. Application of the new conversion factors would affect measured FHP, and therefore TPH, for the MODS mail processing cost pools representing manual letter and flat sorting operations. Conversion factors are also used to develop TPH for MODS cancellation and meter mail prep operations (1CancMPP cost

pool) for which exact piece counts are not available (note that most cancellation volume is worked on the AFCS). While FHP and TPH in manual parcel operations are partly determined by conversion factors, please note that the parcel conversion factors did not change.

e. Most, but not all, of the updated conversion factors are lower than the conversion factors they replaced.

f. The first AP in which the affected MODS volumes reflect the new conversion factors is AP1, FY 1999.

Response of the United States Postal Service
To Interrogatories of Time Warner Inc.

TW/USPS-5. Please refer to the MODS volume data for FY98 provided in LR-I-190. It indicates a base year volume of 137.883 million at cost pool 1Sacks_M, representing mechanized sorting of sacks and outsides in MODS offices.

a. Please confirm that with the base year incurred costs according to witness Van-Ty-Smith ($55.538 million) and the piggyback factor indicated by witness Smith (1.693) the base year unit cost at this pool is approximately 68.2 cents per sack. If not confirmed, please give an alternative estimate.

b. What categories of employees are typically included in the 1SackS_M cost pool? Specifically, does it include: (1) employees unloading sacks to be sorted from inbound trucks; (2) employees taking outbound sacks from a sawtooth area where the sacks have been brought by the mechanized sack sorting system and loading the sacks on outbound trucks; or (3) employees taking working sacks from a slide area to an opening belt?

c. Approximately what percentage of sacks arriving at the destinating SCF, excluding those that might be in containers already marked for crossdocking to the DDU, receive mechanized, rather than manual, sorting?

d. Is manual sack sorting and movement of sacks either to the outbound dock or the location where they will be opened in MODS offices more or less expensive than the mechanized sort? Please answer assuming: (1) facilities of similar size with and without mechanized sack sorting; and (2) the actual sizes of facilities that have and do not have mechanized sack sorting.

e. What are the typical assignments of employees working in the 1SackS_H (manual sort - sack outside) pool?

TW/USPS–5 Response.

a. Confirmed that the product of $55.538 million and 1.693, divided by 137.883 million, rounds to 69.2 cents (volume-variable cost) per TPH.

b. Please see Handbook M-32, Appendix A, p. 10 (Docket No. R97-1, USPS-LR-H-147) for a description of the associated MODS operations 238 and 239. Of the activities specifically listed, activities (1) and (2) are defined as part of, would typically be performed by, employees assigned to the MODS

operations 210-234, which are assigned to the MODS 1Platform cost pool. Activity (3) would typically be performed by employees assigned to MODS operations associated with the 1Platform, manual sack sorting (1SackS_H), or Opening cost pools.

c. The available data do not permit sorting of sacks at the destinating SCF to be distinguished from total sack sorting. However, since the total cost associated with the 1SackS_H cost pool is approximately 3.2 times larger than that associated with the 1SackS_M cost pool, it is reasonable to expect that the majority of the specified sack sorting is performed manually.

d. The Postal Service has not analyzed this.

e. Please see Handbook M-32, Appendix A, p. 10 (Docket No. R97-1, USPS-LR-H-147) for a description of the associated MODS operations 235-237.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS RAMAGE
INTERROGATORIES OF TIME WARNER, INC.,
REDIRECTED FROM WITNESS VAN-TY SMITH

TW/USPS-T17-14. Please consider an employee sampled by an IOCS clerk while using a forklift to move a pallet that is loaded with empty letter trays.

a. Please confirm that under current data collection instructions the IOCS clerk has no way of recording the fact that the observed pallet was used to carry letter trays. If not confirmed, please describe how such information would be recorded and how it would appear in the IOCS data base.

b. Please confirm that a tally resulting from the type of observation described above would not cause any cost to be associated with letter trays. If not confirmed, please explain.

c. How would the IOCS clerk record the situation described above? Specifically, would he/she record it as: (1) an empty pallet: (2) a pallet whose content could not be determined: or (3) something else (describe)? Are the current instructions clear as to what choice should be made in this situation?

d. Assume that instead of being empty, the trays on the pallet contain letter mail, but the IOCS clerk is unable to determine whether all mail on the pallet is identical and concludes that counting the mail would require removing the shrink wrap or banding on the pallet and would be prohibitively time consuming. What type of tally would result in this case? Would it be recorded as a mixed mail pallet? If not, how?

RESPONSE:

a. Not confirmed. See the response to part c, below.

b. Answered by witness Van-Ty-Smith.

c. The instructions for recording this scenario are contained in the Handbook F-45 (USPS-LR-I-14), pages 12-1 through 12-7. I have been informed that data collectors may treat a pallet loaded with empty letter trays in either of two ways, depending on whether or not the pallet has been shrink-wrapped, banded or otherwise unitized. If the pallet has been unitized, it is recorded as a single item in IOCS Q21, then as an empty pallet in IOCS Q21B, and the presence of letter trays would not be recorded. If the pallet has not been unitized, then it would be recorded as a container or multiple items not in a container in IOCS Q21 and

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS RAMAGE
INTERROGATORIES OF TIME WARNER, INC.,
REDIRECTED FROM WITNESS VAN-TY SMITH

Q21C. The container type would be either "i. Multiple Items Not in a Container" or "j. Other Container", and the percentage of letter trays could be recorded in IOCS Q21D. It is not possible to identify all such instances on the IOCS data base because the data collector may not always indicate the presence of the pallet itself in IOCS Q21D. In either case, this scenario results in activity code "6523", moving empty equipment, being assigned in program ALB040C0. See USPS-LR-I-12, Appendix B, pages 5.0, 7.3, 7.5 and 8.0.

d. This would not be recorded as empty equipment, otherwise my response to part c applies. This type of tally would result in an activity code of either "5745", Mixed Mail (handling container or multiple items) or of "5740", Mixed Mail (handling single item) in program ALB040C0. See USPS-LR-I-12, Appendix B, page 8.0.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS RAMAGE
INTERROGATORIES OF TIME WARNER, INC.,
REDIRECTED FROM WITNESS VAN-TY SMITH

TW/USPS-T17-15. Assume that a postal pak, or "gaylord," arrives at a postal facility and is emptied of its contents, but in the process it becomes necessary to strip the postal pak/gaylord of its cardboard, leaving only the pallet underneath, and that an IOCS clerk intercepts the employee handling the resulting empty pallet. Would this be recorded as an empty pallet or an empty postal pak? Please explain your answer and provide references to any mention of this scenario in the IOCS data collection instructions.

RESPONSE:

If the sampled employee is handling a pallet, then the it would be recorded as an empty pallet in IOCS question 21B. This would be the case even if the pallet has been created by stripping down a postal pak so that only an empty pallet remains. This specific scenario is not mentioned in the IOCS data collector instructions, but I have verified with the Statistical Programs Service Centers that this is how the data collector would record such a pallet.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF TIME WARNER REDIRECTED FROM WITNESS VAN-TY-SMITH

TW/USPS-T17-24. What is the Postal Service's best estimate of the volume of non-carrier route presorted flats in FY96 and in FY98 respectively? If such information is available by class, please provide it.

Response:

Volumes for non-carrier route presorted flats for First-Class and Standard A/third-class for both years can be obtained from USPS LR-I-233, which is Material Supporting the Response of Witness Smith to POIR No. 4. See the spreadsheet VOL89-99.xls.

Volumes by shape and presort are not available for Periodicals/Second-Class. The available data for FY96 are from Docket No. R97-1, which is the billing determinants contained in USPS-LR-H-145 and in addition USPS-LR-H-129, page I-4, provides from ODIS that 90.86 percent of Second-Class pieces are flat shaped. The corresponding information for this docket for FY98 is USPS-LR-I-125 for the billing determinants and 92.2 percent of Periodicals pieces are flat shaped as per USPS-LR-I-81, page II-3.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORY OF UPS

UPS/USPS-1. Refer to the answer to UPS/USPS-T34-6(b) and (c). Is the Postal Service's joint advertising campaign with Amazon.com presently scheduled to extend into any part of FY2001? If so, indicate (i) the total scheduled length of the campaign from its beginning to its scheduled end; (ii) over how many accounting periods of FY2001 the campaign is scheduled to extend; (iii) the total cost of the advertising campaign; (iv) how much of the total cost the Postal Service considers to be allocable to FY2001; (v) whether the Postal Service intends to attribute the FY2001 portion of this cost solely to Priority Mail; (vi) whether the test year attributable costs for Priority Mail presented by the Postal Service in this case are based on the attribution solely to Priority Mail of all of the FY2001 costs of this campaign; and (vii) the amount of test year Priority Mail attributable costs attributed to Priority Mail on account of this campaign.

RESPONSE:

No.

RESPONSE OF UNITED STATES POSTAL SERVICE TO
INTERRROGATORIES OF UNITED PARCEL SERVICE

UPS/USPS-3. Refer to the Cost and Revenue Analysis report, FY98 PRC Version-Revised (June 11, 1999) page 8, which indicates a volume of 266.5 million pieces for Standard Mail (B), Parcels (Zone Rate).

(a) Confirm that this volume estimate was based on DRPW data only (i.e., did not use any data from the PERMIT system or from the BRPW system). If you do not confirm, explain why, and (i) indicate what portion of that volume estimate is based on data from a system other than the DRPW system, and (ii) provide the name of the system and how estimates under it were obtained for purposes of this Cost and Revenue Analysis report.

(b)(i) Provide a breakdown by inter-BMC, intra-BMC, and DBMC pieces of the estimate of 266.5 million pieces, and all data used to arrive at the breakdown, preferably in electronic format.

(ii) Provide a breakdown by inter-BMC, intra-BMC, and DBMC of the revenue and weight associated with the pieces provided in response to (b)(i), above, and all data used to arrive at these breakdowns, preferably in electronic format.

RESPONSE:

(a) Not confirmed.

(i) Approximately 1.3% of the volume estimate is from other sources.

(ii) Sources include official mail (OMAS), and Alaska bypass. OMAS volumes were obtained by extracting the information from the Official Mail Accounting System, while the Alaska bypass estimates were obtained from a survey of Standard Mail (B) Intra-BMC shippers.

RESPONSE OF UNITED STATES POSTAL SERVICE TO
INTERRROGATORIES OF UNITED PARCEL SERVICE

(b)(i) The breakdown of the Parcel Post inter-BMC, intra-BMC, and DBMC piece estimate of 266.5 million pieces is:

Category	Pieces (000)
Inter-BMC	67,745
Intra-BMC	48,172
DBMC	150,562
Total	266,479

The detailed data used to derive these estimates are provided in the following attached table.

(ii) The breakdown of the Parcel Post inter-BMC, intra-BMC, and DBMC revenue and weight estimates are:

Category	Revenue (000) *	Weight (000)
Inter-BMC	319,793	358,683
Intra-BMC	134,189	295,327
DBMC	369,317	680,323
Total	823,299	1,334,333

* Excludes an estimated $268,000 for Combination Enclosure Revenue

The detailed data used to derive these estimates are provided in the following attached tables. There is one table each for revenue and weight.

Attachment to Response UPS/USPS-3(b)(i)

TABLE 4
REVENUE, PIECES, AND WEIGHT ADJUSTMENT SYSTEM
TOTAL PIECES
GOVERNMENT FISCAL YEAR 1998

SUMMARY CATEGORY=STANDARD (A) DOMESTIC MAILING FEES
(continued)

SUMMARY CATEGORY CODE	MAIL CATEGORY CODE	DOM PROB RPW SYSTEM	COD-REG ADJUST	ADDRESS CORRECT	SUBTOTAL	BOOK REV ADJUSTED TOTAL	BULK RPW SYSTEM	INTL RPW	NONCOUNT MISC	GRAND TOTAL
130	8227	566,173	0	0	566,173	519,865	0	0	0	519,865
130	8229	592,435	0	0	592,435	593,979	0	0	0	593,979
130	8271	3,981,643	0	0	3,981,643	3,500,506	0	0	0	3,500,506
130	8615	436	0	0	436	334	0	0	0	334
130	9320	7,988	0	0	7,988	7,172	0	0	0	7,172
130	9321	276	0	0	276	252	0	0	0	252
130	9325	443	0	0	443	479	0	0	0	479
130	9330	855	0	0	855	846	0	0	0	846
130	25080	0	0	0	0	0	0	0	0	0
130	25085	0	0	0	0	0	0	0	0	0
130	25115	0	0	0	0	0	0	0	0	0
130	25120	0	0	0	0	0	0	0	0	0
130	25155	0	0	0	0	0	0	0	0	0
130	99999	5,150,249	0	0	5,150,249	4,623,433	0	0	0	4,623,433

SUMMARY CATEGORY=STANDARD (B) PARCEL POST

SUMMARY CATEGORY CODE	MAIL CATEGORY CODE	DOM PROB RPW SYSTEM	COD-REG ADJUST	ADDRESS CORRECT	SUBTOTAL	BOOK REV ADJUSTED TOTAL	BULK RPW SYSTEM	INTL RPW	NONCOUNT MISC	GRAND TOTAL
135	4100	68,310,824	103,574	0	68,414,398	63,505,062	0	0	0	63,505,062
135	4101	0	0	0	0	0	0	0	1,253,092	1,253,092
135	4102	0	0	0	0	0	0	0	0	0
135	4105	47,018,384	0	0	47,018,384	43,592,149	0	0	0	43,592,149
135	4110	0	0	0	0	0	0	0	0	0
135	4150	3,252,168	4,657	0	3,256,825	2,986,489	0	0	0	2,986,489
135	4155	2,890,937	0	0	2,890,937	2,648,841	0	0	0	2,648,841
135	4160	162,523,960	0	0	162,523,960	150,257,831	0	0	0	150,257,831
135	4161	0	0	0	0	0	0	0	303,822	303,822
135	4162	0	0	0	0	0	0	0	0	0
135	25165	0	0	0	0	0	0	0	1,931,382	1,931,382
135	99999	283,996,273	108,231	0	284,104,504	262,990,372	0	0	3,488,296	266,478,668

SUMMARY CATEGORY=STANDARD (B) BOUND PRINTED MATTER

SUMMARY CATEGORY CODE	MAIL CATEGORY CODE	DOM PROB RPW SYSTEM	COD-REG ADJUST	ADDRESS CORRECT	SUBTOTAL	BOOK REV ADJUSTED TOTAL	BULK RPW SYSTEM	INTL RPW	NONCOUNT MISC	GRAND TOTAL
140	4200	28,453,428	0	0	28,453,428	24,891,642	3,496,284	0	0	28,387,926
140	4210	0	0	0	0	0	0	0	0	0
140	4220	5,064,446	0	0	5,064,446	4,592,541	354,341,900	0	0	358,934,441
140	4221	0	0	0	0	0	0	0	34,200	34,200
140	4222	0	0	0	0	0	0	0	0	0

Attachment to Response UPS/USPS-3(b)(ii)

TABLE 2
REVENUE, PIECES, AND WEIGHT ADJUSTMENT SYSTEM
TOTAL REVENUE
GOVERNMENT FISCAL YEAR 1998

SUMMARY CATEGORY=STANDARD (A) DOMESTIC MAILING FEES (continued)

SUMMARY CATEGORY CODE	MAIL CATEGORY CODE	DOM PROB RPW SYSTEM	COD-REG ADJUST	ADDRESS CORRECT	SUBTOTAL	BOOK REV ADJUSTED TOTAL	BULK RPW SYSTEM	INTL RPW	NONCOUNT MISC	GRAND TOTAL
130	8227	169,852	0	0	169,852	155,960	0	0	0	155,960
130	8229	1,036,762	0	0	1,036,762	1,039,465	0	0	0	1,039,465
130	8271	2,459,622	0	0	2,459,622	2,175,496	0	0	0	2,175,496
130	8615	2,354	0	0	2,354	1,803	0	0	0	1,803
130	9320	4,394	0	0	4,394	3,944	0	0	0	3,944
130	9321	1,379	0	0	1,379	1,260	0	0	0	1,260
130	9325	9,579	0	0	9,579	10,575	0	0	0	10,575
130	9330	9,275	0	0	9,275	8,655	0	0	0	8,655
130	25080	0	0	1,495,674	1,495,674	1,411,607	0	0	0	1,411,607
130	25085	0	0	10,255,150	10,255,150	9,678,743	0	0	0	9,678,743
130	25115	0	0	47,307	47,307	43,816	0	0	0	43,816
130	25120	0	0	293,881	293,881	272,195	0	0	0	272,195
130	25155	0	0	0	0	0	0	0	14,485,913	14,485,913
130	99999	3,693,217	0	12,092,012	15,785,229	14,803,519	0	0	62,018,250	76,821,769

SUMMARY CATEGORY=STANDARD (B) PARCEL POST

SUMMARY CATEGORY CODE	MAIL CATEGORY CODE	DOM PROB RPW SYSTEM	COD-REG ADJUST	ADDRESS CORRECT	SUBTOTAL	BOOK REV ADJUSTED TOTAL	BULK RPW SYSTEM	INTL RPW	NONCOUNT MISC	GRAND TOTAL
135	4100	305,379,367	577,244	0	305,956,611	284,340,064	0	0	0	284,340,064
135	4101	0	0	0	0	0	0	0	6,898,432	6,898,432
135	4102	0	0	0	0	0	0	0	0	0
135	4105	124,616,841	0	0	124,616,841	115,441,881	0	0	0	115,441,881
135	4110	316,106	0	0	316,106	288,312	0	0	0	288,312
135	4150	30,867,527	104,415	0	30,971,942	28,554,652	0	0	0	28,554,652
135	4155	9,060,972	0	0	9,060,972	8,300,710	0	0	0	8,300,710
135	4160	397,845,836	0	0	397,845,836	367,692,307	0	0	0	367,692,307
135	4161	0	0	0	0	0	0	0	1,624,524	1,624,524
135	4162	0	0	0	0	0	0	0	0	0
135	25165	0	0	0	0	0	0	0	10,445,658	10,445,658
135	99999	868,086,649	681,659	0	868,768,308	804,597,926	0	0	18,968,614	823,566,540

SUMMARY CATEGORY=STANDARD (B) BOUND PRINTED MATTER

SUMMARY CATEGORY CODE	MAIL CATEGORY CODE	DOM PROB RPW SYSTEM	COD-REG ADJUST	ADDRESS CORRECT	SUBTOTAL	BOOK REV ADJUSTED TOTAL	BULK RPW SYSTEM	INTL RPW	NONCOUNT MISC	GRAND TOTAL
140	4200	45,139,341	0	0	45,139,341	42,493,994	6,114,360	0	0	48,608,354
140	4210	43,294	0	0	43,294	39,334	0	0	0	39,334
140	4220	4,912,716	0	0	4,912,716	4,476,191	310,763,483	0	0	315,239,674
140	4221	0	0	0	0	0	0	0	61,555	61,555
140	4222	0	0	0	0	0	0	0	0	0

Attachment to Response UPS/USPS-3(b)(ii)

TABLE 6
REVENUE, PIECES, AND WEIGHT ADJUSTMENT SYSTEM
TOTAL WEIGHT
GOVERNMENT FISCAL YEAR 1998

SUMMARY CATEGORY=STANDARD (A) DOMESTIC MAILING FEES
(continued)

SUMMARY CATEGORY CODE	MAIL CATEGORY CODE	DOM PROB RPW SYSTEM	COD-REG ADJUST	ADDRESS CORRECT	SUBTOTAL	BOOK REV ADJUSTED TOTAL	BULK RPW SYSTEM	INTL RPW	NONCOUNT MISC	GRAND TOTAL
130	8227	0	0	0	0	0	0	0	0	0
130	8229	0	0	0	0	0	0	0	0	0
130	8271	0	0	0	0	0	0	0	0	0
130	8615	0	0	0	0	0	0	0	0	0
130	9320	0	0	0	0	0	0	0	0	0
130	9321	0	0	0	0	0	0	0	0	0
130	9325	0	0	0	0	0	0	0	0	0
130	9330	0	0	0	0	0	0	0	0	0
130	25080	0	0	0	0	0	0	0	0	0
130	25085	0	0	0	0	0	0	0	0	0
130	25115	0	0	0	0	0	0	0	0	0
130	25120	0	0	0	0	0	0	0	0	0
130	25155	0	0	0	0	0	0	0	0	0
130	99999	0	0	0	0	0	0	0	0	0

SUMMARY CATEGORY=STANDARD (B) PARCEL POST

SUMMARY CATEGORY CODE	MAIL CATEGORY CODE	DOM PROB RPW SYSTEM	COD-REG ADJUST	ADDRESS CORRECT	SUBTOTAL	BOOK REV ADJUSTED TOTAL	BULK RPW SYSTEM	INTL RPW	NONCOUNT MISC	GRAND TOTAL
135	4100	327,898,239	618,191	0	328,516,430	305,638,448	0	0	0	305,638,448
135	4101	0	0	0	0	0	0	0	7,850,343	7,850,343
135	4102	0	0	0	0	0	0	0	0	0
135	4105	188,052,213	0	0	188,052,213	173,832,895	0	0	0	173,832,895
135	4110	0	0	0	0	0	0	0	0	0
135	4150	48,609,975	194,289	0	48,804,264	45,194,347	0	0	0	45,194,347
135	4155	28,991,853	0	0	28,991,853	26,534,591	0	0	0	26,534,591
135	4160	733,791,706	0	0	733,791,706	676,996,978	0	0	0	676,996,978
135	4161	0	0	0	0	0	0	0	3,326,375	3,326,375
135	4162	0	0	0	0	0	0	0	0	0
135	25165	0	0	0	0	0	0	0	94,959,012	94,959,012
135	99999	1,327,343,986	812,480	0	1,328,156,466	1,228,197,258	0	0	106,135,730	1,334,332,988

SUMMARY CATEGORY=STANDARD (B) BOUND PRINTED MATTER

SUMMARY CATEGORY CODE	MAIL CATEGORY CODE	DOM PROB RPW SYSTEM	COD-REG ADJUST	ADDRESS CORRECT	SUBTOTAL	BOOK REV ADJUSTED TOTAL	BULK RPW SYSTEM	INTL RPW	NONCOUNT MISC	GRAND TOTAL
140	4200	59,923,439	0	0	59,923,439	56,500,091	8,709,905	0	0	65,209,996
140	4210	0	0	0	0	0	0	0	0	0
140	4220	15,359,084	0	0	15,359,084	14,019,685	893,930,748	0	0	907,950,433
140	4221	0	0	0	0	0	0	0	192,236	192,236
140	4222	0	0	0	0	0	0	0	0	0

RESPONSE OF UNITED STATES POSTAL SERVICE TO
INTERRROGATORIES OF UNITED PARCEL SERVICE

UPS/USPS-4. (a) In FY1998, did the Postal Service accept drop shipments of DBMC Parcel Post from mailers who did not participate in the PERMIT system? If so, provide the volume of Parcel Post pieces accepted by the Postal Service in FYI998 from such mailers and the associated revenue and weight for all such pieces, together with all data used to arrive at those figures, preferably in electronic format.

(b) In FY1998, did the Postal Service accept dropshipments from mailers when postage was not paid by PERMIT imprint, but rather was paid by postage meters, precancelled stamps, uncancelled stamps, or any other forms of postage payment? If so, provide the volume of Parcel Post pieces accepted by the Postal Service in FYI998 from all such mailers and the revenue and weight associated with all such pieces, together with all data used to derive these figures, preferably in electronic format if available.

RESPONSE:

(a) DMM mailing rules do not prohibit DBMC parcel post from being entered at acceptance units not in the PERMIT System. However, no estimate of this activity can be produced for GFY 1998 because no system itemizes this activity.

(b) Yes. Please refer to response to UPS/USPS-T4-12(a), specifically the DBMC line in the table, for these estimates of revenue, pieces, and weight.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY OF UNITED PARCEL SERVICE

UPS/USPS-5. Provide a copy of DM-109 or other predecessor manual, handbook, directive, or other document that was in effect in FY 1998 which set forth the process that was then used to verify that Parcel Post mail actually received from a mailer matched the information about it contained on the postage statement provided by the mailer.

(a) Was each piece counted and examined in the verification process?

(b) If the process was done on a sampling basis, explain in detail how the process was performed, including a description of how the sample was selected.

Response:

The requested manuals have been provided as USPS-LR-I-298.

a – b. The verification of a non-identical Parcel Post mailing followed the procedures outlined in Publication 401 (Guide to the Manifest Mailing System) provided in USPS-LR-I-298 and used sampling techniques described therein. For identical pieces not entered under the Manifest Mailing System, in accordance with DM-102, mailer piece count was verified by weighing one piece and dividing the total weight of the mailing by that unit weight.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF UNITED PARCEL SERVICE

UPS/USPS-7. Refer to the answer to UPS/USPS-T34-18(b) and (c). Explain why the sum of the percentages provided in the answers to each (b) (74 percent, 11 percent, 26 percent) and (c) (76 percent, 45 percent, 24 percent) is not 100%.

RESPONSE:

UPS/USPS-T34-18(b) requested FY 1999 ODIS data for Priority Mail with a two-day service standard area that arrived in two days. The phrase "arrived in two days" was interpreted as "arrived in no more than two days." Sixty three percent (74% less 11%) of Priority Mail with a two-day service standard area arrived in exactly two days.

UPS/USPS-T34-18(c) requested FY 1999 ODIS data for Priority Mail with a three-day service standard area that arrived in three days. The phrase "arrived in three days" was interpreted as "arrived in no more than three days." Thirty one percent (76% less 45%) of Priority Mail with a three-day service standard area arrived in exactly three days.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF UNITED PARCEL SERVICE

UPS/USPS-8. Refer to the answer to UPS/USPS-T34-19. Explain why the sum of the percentages provided in the answer to UPS/USPS-T34-19(b) (79.3 percent, 16.5 percent, 20.7 percent) is not 100%.

RESPONSE:

UPS/USPS-T34-19(b) requested FY 1999 PETE data for Priority Mail with a two-day service standard area that arrived in two days. The phrase "arrived in two days" was interpreted as "arrived in no more than two days." 62.8 percent (79.3% less 16.5%) of Priority Mail with a two-day service standard area arrived in exactly two days.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF UNITED PARCEL SERVICE

UPS/USPS-9. Refer to UPS/USPS-T34-20(b) and (c). Explain why the sum of the percentages provided in the answers to each of (b) (86.5 percent, 19.6 percent, 13.5 percent) and (c) (85.6 percent, 32.9 percent, 14.4 percent) is not 100%.

RESPONSE:

UPS/USPS-T34-20(b) requested FY 1999 EXFC data for First-Class Mail with a two-day service standard area that arrived in two days. The phrase "arrived in two days" was interpreted as "arrived in no more than two days." 66.9 percent (86.5% less 19.6%) of First-Class Mail with a two-day service standard area arrived in exactly two days.

UPS/USPS-T34-18(c) requested FY 1999 EXFC data for First-Class Mail with a three-day service standard area that arrived in three days. The phrase "arrived in three days" was interpreted as "arrived in no more than three days." 52.7 percent (85.6% less 32.9%) of First-Class Mail with a three-day service standard area arrived in exactly three days.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF UNITED PARCEL SERVICE

UPS/USPS-11. Refer to the ODIS QUARTERLY STATISTICS REPORTS, page 1-8, provided in the response to UPS/USPS-T34-26. For Priority Mail, provide the percentage of average estimated daily volume for PFY1996, PFY1997, and PFY1998 that is:

(i) Flats;

(ii) Parcels.

RESPONSE:

(i)

Flats As A Percentage of Priority Mail Volume

PFY 96	36.8%
PFY 97	33.2%
PFY 98	34.0%

(ii)

Parcels As A Percentage of Priority Mail Volume

PFY 96	62.8%
PFY 97	66.0%
PFY 98	65.0%

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORY OF UNITED PARCEL SERVICE
(REDIRECTED FROM WITNESS XIE, USPS-T-1)

UPS/USPS-T1 -17. Refer to page 13 of your testimony, where you describe the structure of the route network for the Eagle and Western dedicated networks. Specifically, you state that "Unlike commercial airline flights, network flights are dedicated fully to transporting mail between the hub and one or more cities in the network. The hub for the Eagle Network is Indianapolis, Indiana; for the Western Network, it is Oakland, California."

(a) How long have Indianapolis, Indiana, and Oakland, California, been the hubs for the Eagle and Western networks, respectively?

b) Is it the case that Indianapolis, Indiana, and Oakland, California, have been the only hubs for the Eagle and Western networks, respectively, during the period from 1996 through the present? If not, identify any other hubs in operation during this period and specify the time periods during which they were in operation.

(c) List the destination cities served at present by the Eagle network and, separately, by the Western network. Is it the case that all destinations are served only by aircraft traveling directly between hub and a single destination point? If not, identify any cities served by the Eagle network and/or the Western network that do not have service connecting them directly (i.e., non-stop) to the hubs. Describe how each is connected to the network.

(d) Describe by network any changes in the destinations served by each of these dedicated networks during the period from 1996 to present. In particular, list any destinations that have been added or removed from each network in this period, or that have seen a substantive change in the nature of their connection with the hub. Also, list the dates when such changes were made.

(e) For each destination served by these dedicated air networks, list for each network the number of flights per day to that destination and the approximate times of those flights. Have there been any changes in the number of flights per day to any destination served by either of these networks during the period from 1996 to the present? For every destination served by either of the two networks, list all changes in the number of flights serving the destination in this period and the dates on which those changes were made.

(f) List the aircraft types that are used for the operation of the Eagle network and, separately, for the Western network. For each destination, list the aircraft type or types that serve that destination. Identify by network any changes in either the number of aircraft or in the types of aircraft used by these networks during the period from 1996 to the present, and identify the time periods that different aircraft were in operation.

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INTERROGATORY OF UNITED PARCEL SERVICE
(REDIRECTED FROM WITNESS XIE, USPS-T-1)

RESPONSE

Throughout this response, the Postal Service assumes that references to Eagle and WNET refer to overnight network operations. Additional cities are linked to overnight network hubs and outstation airports using highway transportation and air taxis.

(a and b) Indianapolis has been the hub for Eagle operations since August 1989. It remains the hub to this day. Oakland was the WNET hub from its inception in May 1992 until August 1999 when the hub was moved to Mather Airport outside Sacramento.

(c) Los Angeles, Newark, and New York all have direct connections to the EAGLE hub using a single aircraft for each city. The remaining cities are organized into city pairs that share aircraft. These city pairs are: Jacksonville and Tampa, Miami and San Juan, Hartford and Boston, Baltimore and Washington, Dallas and San Antonio, Denver and San Francisco, New Orleans and Houston, Atlanta and Orlando, Minneapolis and Seattle, Richmond and Norfolk, Charlotte and Greensboro, Cleveland and Buffalo, Pittsburgh and Philadelphia, Saint Louis and Kansas City, Chicago and Milwaukee, Phoenix and San Diego, Detroit and Grand Rapids, and Salt Lake City and Portland.

The WNET in Mather uses dedicated aircraft to provide service to Seattle, Oakland, and Las Vegas. Other WNET service is provided with a single aircraft to each of the following city pairs: Portland and Spokane, Los Angeles and San

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORY OF UNITED PARCEL SERVICE
(REDIRECTED FROM WITNESS XIE, USPS-T-1)

Diego, Phoenix and Albuquerque, Billings and Denver, and Salt Lake City and Boise.

Since November 9, 1999, a flight has connected the WNET and Eagle hubs. On its westbound flight, the aircraft stops in Denver.

(d) The Eagle network added Salt Lake City and Portland (OR) in October 27, 1998.

The WNET has had three incarnations since FY 1996. From the beginning of FY 1996 to May 1997, the WNET was based in Oakland and provided service to five city pairs: Seattle and Portland, Albuquerque and Phoenix, San Diego and Los Angeles, Las Vegas and Reno, Denver and Salt Lake City.

From May 27, 1997 to August 27, 1999, the WNET provided service to the following city pairs: Spokane and Seattle, San Diego and Los Angeles, and Billings and Denver, Albuquerque and Phoenix, and Boise and Salt Lake City. Dedicated aircraft were provided to the unpaired cities of Portland, Reno, and Las Vegas.

(e) Each city on the network is served by a single round trip flight. The only exception has been the use of two round trips for Portland on the WNET from May 1997 to August 1999. The attached schedules provide flight times for each network during the summer months.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORY OF UNITED PARCEL SERVICE
(REDIRECTED FROM WITNESS XIE, USPS-T-1)

(f) EAGLE planes are all Boeing 727-100s except for four 727-200s serving New York, Boston and Hartford, San Juan and Miami, and Los Angeles. No changes have been made to the Eagle aircraft since 1996.

WNET uses 727-200s for the following city pairs: Portland and Spokane, Los Angeles and San Diego, Phoenix and Albuquerque, Billings and Denver, and Salt Lake City and Boise. Seattle and Oakland are unpaired and are each served using a 727-200. Service is provided to Las Vegas using a Metro III aircraft.

The flight connecting the two hubs is served with a 727-200.

For the period May 27, 1997 through August 27, 1999, the WNET used DC9-30 aircraft to provide service to the following city pairs: Spokane and Seattle, San Diego and Los Angeles, and Billings and Denver. The two city pairs Albuquerque and Phoenix and Boise and Salt Lake City were served using DC9-15s. Dedicated Metro III aircraft were provided to the unpaired cities of Reno and Las Vegas. Portland initially used a Convair aircraft for approximately 2 weeks. Since this aircraft failed to meet the scheduled daily requirments, the contractor decided to switch to a DC9-30 aircraft for approximately 7 months. The aircraft was then switched to a pair of Beechcraft 1900.

From FY 1996 to May 26, 1997, one DC9-30 was used to provide service to each of the following city pairs: Seattle and Portland, San Diego and Los

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
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Angeles, and Denver and Salt Lake City. A DC9-15 was used for Albuquerque and Phoenix. A Metro III was used for Las Vegas and Reno.

Attachment to Response of the United States Postal Service to United Parcel Service Interrogatory T1-17(e)
Redirected from Witness Xie

EAGLE NETWORK SCHEDULE							
ORIGIN	DESTINATION	STD	STA	ORIGIN	DESTINATION	STD	STA
TPA	JAX	2300	2346	JAX	TPA	0547	0637
JAX	IND	0006	0058	IND	JAX	0240	0527
SJU	MIA	2100	2332	MIA	SJU	0629	0853
MIA	IND	2357	0130	IND	MIA	0242	0604
BOS	BDL	2230	2320	BDL	BOS	0555	0630
BDL	IND	2345	0056	IND	BDL	0248	0530
JFK	IND	2314	0019	IND	JFK	0252	0538
IAD	BWI	2245	2327	BWI	IAD	0558	0642
BWI	IND	2357	0038	IND	BWI	0258	0528
SAT	DFW	2209	2303	DFW	SAT	0536	0635
DFW	IND	2328	0118	IND	DFW	0300	0511
SFO	DEN	1911	2228	DEN	SFO	0528	0620
DEN	IND	2248	0205	IND	DEN	0304	0430
IAH	MSY	2233	2331	MSY	IAH	0551	0629
MSY	IND	0001	0150	IND	MSY	0304	0456
MCO	ATL	2336	0050	ATL	MCO	0511	0700
ATL	IND	0120	0140	IND	ATL	0306	0521
SEA	MSP	1905	0008	MSP	SEA	0309	0634
MSP	IND	0033	0155	IND	MSP	0559	0446
EWR	IND	2319	0018	IND	EWR	0312	0553
ORF	RIC	2236	2313	RIC	ORF	0528	0647
RIC	IND	2343	0026	IND	RIC	0315	0543
GSO	CLT	0009	0043	CLT	GSO	0536	0631
CLT	IND	0113	0136	IND	CLT	0318	0529
BUF	CLE	2255	2351	CLE	BUF	0440	0613
CLE	IND	0011	0015	IND	CLE	0321	0508
PHL	PIT	2300	0008	PIT	PHL	0323	0627
PIT	IND	0026	0039	IND	PIT	0447	0516
MCI	STL	2235	2325	STL	MCI	0325	0539
STL	IND	2345	0035	IND	STL	0628	0420
LAX	IND	2029	0210	IND	LAX	0330	0541
MKE	ORD	2218	2306	ORD	MKE	0541	0531
ORD	MKE	2336	0026	MKE	ORD	0330	0417
SAN	PHX	1935	2139	PHX	SAN	0447	0636
PHX	IND	2159	0204	IND	PHX	0325	0608
GRR	DTW	2340	0025	DTW	GRR	0541	0630
DTW	IND	0045	0044	IND	DTW	0330	0521
PDX	SLC	1835	2118	SLC	PDX	0623	0707
SLC	IND	2148	0200	IND	SLC	0325	0553

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Attachment to the Response of the United States Postal Service to United Parcel Service Interrogatory T1-17(e)
Redirected from Witness Xie

WNET SCHEDULE - CURRENT 1999							
ORIGIN	DESTINATION	STD	STA	ORIGIN	DESTINATION	STD	STA
SEA	MHR	2240	0030	MHR	SEA	0200	0345
GEG	PDX	2115	2225	PDX	GEG	0030	0435
PDX	MHR	2255	0015	MHR	PDX	0150	0310
OAK	MHR	2350	0030	MHR	OAK	0120	0200
ABQ	PHX	2150	2200	PHX	ABQ	0355	0550
PHX	MHR	2230	0010	MHR	PHX	0135	0335
SAN	LAX	2230	2310	LAX	SAN	0310	0400
LAX	MHR	2340	0050	MHR	LAX	0130	0240
BIL	DEN	2030	2150	MHR	DEN	0125	0435
DEN	MHR	2320	0035	SLC	BOI	0445	0545
BOI	SLC	2240	2350	MHR	SLC	0145	0415
SLC	MHR	0010	0100	MHR	LAS	0150	0405
LAS	MHR	2220	0035	DEN	MHR	2130	2230
MHR	IND	0130	0815	IND	DEN	2045	2100

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SUPPLEMENTAL RESPONSE OF UNITED STATES POSTAL SERVICE
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(REDIRECTED FROM WITNESS XIE)

UPS/USPS-T1-18. The TRACS Commercial Air Subsystem (USPS-LR-I-49) and the TRACS Network Air Subsystem (USPS-LR-I-51) computer programs make use of a number of computer data files from the Air Contract Support System (ACSS). In the documentation of the Subsystem, these files are named LAUSTNT.PS476TCR.FYWK98ww, where ww represents two digits that indicate the week within the year. USPS-LR-I-49 and I-51, at 15. Provide a list of all of the variables contained in the entire set of files, beyond those listed in Appendix I of USPS-LR-I-49, and a description of each, for 1998 and any other time periods currently available.

RESPONSE.

See USPS-LR-I-288 for a list of the variables and their descriptions for the file named LAUSTNT.PS476TCR.FYWK98ww.

SUPPLEMENTAL RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF UNITED PARCEL SERVICE
(REDIRECTED FROM WITNESS XIE)

UPS/USPS-T1-22. The TRACS Network Air Subsystem (USPS-LR-I-51) computer programs make use of a computer data file from the National Air and Surface System (NASS). In the documentation of the Subsystem, this file is named LAXSTN.PS272D14(0). USPS-LR-I-51, at 14. Provide a list of all of the variables contained in the entire file, beyond those listed in Appendix I of USPS-LR-I-51, and a description of each, for 1998 and any other time periods currently available.

RESPONSE.

See USPS-LR-I-288 for a list of the variables and their descriptions for the file named LAXSTN.PS272D14(0).

SUPPLEMENTAL RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF UNITED PARCEL SERVICE
(REDIRECTED FROM WITNESS XIE)

UPS/USPS-T1-25. The TRACS Highway Subsystem (USPS-LR-I-52) computer programs make use of a computer data file from the National Air and Surface System (NASS). In the documentation of the Subsystem, this file is named LAXSTN.PS272D13(0). USPS-LR-I-52, at 26. Provide a list of all of the variables contained in the entire file, beyond those listed in Appendix I of USPS-LR-I-52, and a description of each, for 1998 and any other time periods currently available.

RESPONSE.

See USPS-LR-I-288 for a list of the variables and their descriptions for the file named LAXSTN.PS272D13(0).

SUPPLEMENTAL RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF UNITED PARCEL SERVICE
(REDIRECTED FROM WITNESS XIE)

UPS/USPS-T1-26. The TRACS Highway Subsystem (USPS-LR-I-52) computer programs make use of computer data files from the Highway Payment Master File. In the documentation of the Subsystem, this file is named ACR.ST008T11. USPS-LR-I-52, at 26. Provide a list of all of the variables contained in the entire file, beyond those listed in Appendix I of USPS-LR-I-52, and a description of each, for 1998 and any other time periods currently available.

RESPONSE.

See USPS-LR-I-288 for a list of the variables and their descriptions for the file named ACR.ST008T11.

SUPPLEMENTAL RESPONSE OF UNITED STATES POSTAL SERVICE
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(REDIRECTED FROM WITNESS XIE)

UPS/USPS-T1-27. The TRACS Highway Subsystem (USPS-LR-I-52) computer programs make use of two computer data files from the Highway Contract Support System (HCSS). In the documentation of the Subsystem, these tiles are named userid.ACR95.COSTCFM.FLAT.TEXT and userid.ACR.INTRASCF.BOXDEL.TEXT. USPS-LR-I-52, at 27. Provide a list of all of the variables contained in the entire set of files, beyond those listed in Appendix I of USPS-LR-I-52, and a description of each, for 1998 and any other time periods currently available.

RESPONSE.

The only additional variable on those files, beyond those listed in Appendix I of USPS-LR-I-52, is the account number.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF UNITED PARCEL SERVICE,
REDIRECTED FROM WITNESS XIE

UPS/USPS-T1-31. Has the data collection process for the TRACS Commercial Air Subsystem (USPS-LR-I-49) ever undergone an audit or other quality control evaluation? If so, explain the procedure used and provide copies of the management reports describing the outcome of the audits or evaluations.

RESPONSE.

Yes. The Data Quality Study, conducted by A. T. Kearney, evaluated the quality of the major statistical systems underlying the Postal Services ratemaking process, including the TRACS Commercial Air, Network Air and Highway Subsystems. A copy of the Data Quality Study findings is available via the PRC's old website. In addition to the Data Quality Study, the Manager of Statistical Programs in each of the 87 field statistical programs offices is responsible for monitoring (performing a quality control evaluation) every data collector twice each year on every system for which they collect data. The PS Form 1444-I is used to record their observations for TRACS. A copy of the PS Form 1444-I, with instructions, is contained in USPS-LR-I-264. There are no managment reports describing the outcome of these evaluations.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF UNITED PARCEL SERVICE,
REDIRECTED FROM WITNESS XIE

UPS/USPS-T1-32. Has the data collection process for the TRACS Network Air Subsystem (USPS-LR-I-51) ever undergone an audit or other quality control evaluation? If so, explain the procedure used and provide copies of the management reports describing the outcome of the audits or evaluations.

RESPONSE.

Yes. Please see the institutional response to UPS/USPS-T1-31.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF UNITED PARCEL SERVICE,
REDIRECTED FROM WITNESS XIE

UPS/USPS-T1-33. Has the data collection process for the TRACS Highway Subsystem (USPS-LR-I-51) ever undergone an audit or other quality control evaluation? If so, explain the procedure used and provide copies of the management reports describing the outcome of the audits or evaluations.

RESPONSE.

Yes. Please see the institutional response to UPS/USPS-T1-31. Additionally, in support of the independent audit of the CRA, the Inspection Service audits numerous TRACS tests at BMCs each year. A copy of the Inspection Service management report for FY 1998, along with a copy of their audit procedures, is contained in USPS-LR-I-264.

RESPONSE OF UNITED STATES POSTAL SERVICE
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(REDIRECTED FROM WITNESS XIE)

UPS/USPS-T1-34. For the TRACS Highway Subsystem (USPS-LR-I-52) explain the following details of the data collection process:
(a) How does the process ensure that expedited mail is retained for sampling?
(b) Do containers contain markings, labels, or other indications indicating whether they contain expedited or non-expedited mail?
(c) Given that a TRACS test can take considerable time, what steps are taken to avoid delaying the movement of time critical products
(d) Have any audits been conducted to determine whether mail movement is evading the TRACS inspection procedure? If so, provide copies of the management reports describing the outcome of such audits.

RESPONSE.

a) Answered by Witness Xie.

b) Answered by Witness Xie.

c) Answered by Witness Xie.

d) Yes. See Postal Service response to UPS/USPS-T1-33.

Revised 4/17/00

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORY OF UNITED PARCEL SERVICE (REDIRECTED FROM WITNESS XIE, USPS-T-1)

UPS/USPS-T1-50. The following questions deal with the movement of Priority Mail by highway transportation.
(a) In what types of containers, pallets, or loose items is Priority Mail handled when it moves by highway? Be specific as to the type of container, type of sack, etc. What is the proportion of use across the container types, and what measure is used to answer this question? (For example, "Priority mail moves in nylon sacks 25% of the time, as measured by cubic-foot miles.")
(b) How does a worker unloading a truck determine the priority for unloading?
(c) Are the items on a truck identified as to approximate mail composition?

(ii) Is time-sensitive mail identifiable as such by a worker?

(iii) Is it Postal Service policy or the typical procedure that time sensitive mail be unloaded from a truck first, to the extent possible, by the arrangement of mail within the truck? If not, what is the policy or typical procedure for unloading time sensitive mail?

(iv) Is it Postal Service policy or the typical procedure that low priority containers/pallets/ sacks are set aside so that higher priority mail may be processed first?

(v) Is it Postal Service policy or the typical procedure that high priority mail is expedited in moving from the dock to the next stage of processing? If not, what is the policy or typical procedure for moving high priority mail from the dock to the next stage of processing?

(vi) What categories of mail are considered to be high priority mail or time-sensitive mail for the purposes of loading and unloading trucks and for dock handling?

(vii) Describe any other policies or procedures that determine the sequence in which different classes or subclasses of mail or individual items or groups of items of mail are processed as they are removed from a truck, after removal, prior to loading, and during the loading process.

RESPONSE

(a) Answered by witness Xie.

(b) Generally, a worker will unload a truck from back to front.

(c)(i) Express Mail items and sometimes Priority Mail are loaded in the back of the vehicle and are readily identifiable. In the BMC network, Periodicals and other preferential mail are tailgated (loaded at the back) so that they will be unloaded first. Placards on containers and pallets give some indication of

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORY OF UNITED PARCEL SERVICE (REDIRECTED FROM WITNESS XIE, USPS-T-1)

content. Also, mail is loaded by office so that the mail on the front of the vehicle generally comes from the first office, then comes mail from the second office and so on.

(ii) See response to (b)(i) above.

(iii) See response to (b)(i) above.

(iv) No. Containers/pallets/sacks are moved to appropriate staging areas for the mail processing operations where the mail will be worked. Generally, space limitations within the plants, particularly near dock doors, does not permit "setting aside" containers/pallets/sacks in the manner implied by the question.

(v) Express Mail typically gets high priority attention. Otherwise mail is moved to the staging areas described in the response to (b)(iv) above.

(vi) See response to (b)(i) and (b)(vii) below.

(vii) As mail is unloaded from a truck, it is moved from the dock to its respective operation based on class, shape, presort, and/or containerization. Depending on the arrival time and the operation's critical entry time, tow operators or mail handlers will usually move the most time constrained volumes first. However, given limited dock space, the amount of time difference between the first and the last mail from a truck to arrive at its intended operation is generally not drastic. Once mail is in the operation, it is to be worked in FIFO in most instances (for example, in-home dates may be a variation to this for Standard Mail). When mail is ready to be loaded on trucks,

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORY OF UNITED PARCEL SERVICE (REDIRECTED FROM WITNESS XIE, USPS-T-1)

containers are sent to the dock to be loaded on the truck or staged at dock doors. When loading the truck, often Express Mail and Priority Mail are loaded on the tail to allow for expedited handling at destination. If there is a capacity issue for a particular day or run, then Standard Mail may be staged at the dock until all of the committed mail (Express, Priority, First-Class and Periodicals) is loaded. Distribution priorities for mail processing are in POM 453 and for delivery in POM 62.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF UNITED PARCEL SERVICE (REDIRECTED FROM WITNESS XIE, USPS-T-1)

UPS/USPS-T1-51. Confirm that the Transportation Information Management Evaluation System (TIMES) is used to track container flow through the highway system, and describe the purpose of the TIMES system.

RESPONSE

Confirmed. TIMES is an automated system that enables electronic capture of transportation data to monitor on-time performance and measure transportation utilization. TIMES can track container flows through the highway transportation system.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF UNITED PARCEL SERVICE (REDIRECTED FROM WITNESS XIE, USPS-T-1)

UPS/USPS-T1-52. Provide the number of facilities that are currently monitored as part of the TIMES system, by type (BMC, P&DC, SCF, etc.). Give current mail volume by type. If a mail volume measure is not available, provide an alternative measure of throughput.

RESPONSE

The total number of sites that are currently on TIMES is approximately 434. This includes Processing and Distribution Centers (P&DCs), transportation hub facilities, Mail Transportation Equipment Service Centers (MTESCs) and Airport Mail Centers (AMCs). Bulk Mail Centers (BMCs) use the Vehicle Tracking & Analysis Performance System (VTAPS) as the primary transportation system and that system interfaces with TIMES.

AMCs	58
MTESCs	2
Hubs	8
P&DCs	366

TIMES does not measure mail volume. It is not clear what is meant by "throughput" other than mail volume.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF UNITED PARCEL SERVICE (REDIRECTED FROM WITNESS XIE, USPS-T-1)

UPS/USPS-T1-53. Indicate whether all facilities are monitored using the TIMES system. If not, explain how the decision is made to include or exclude a facility from monitoring.

RESPONSE

No. TIMES is designed for processing facilities with significant container volumes. BMCs already use VTAPS (see response to UPS/USPS-T1-5). Other facilities such as stations and branches are too small to warrant the deployment of TIMES.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF UNITED PARCEL SERVICE (REDIRECTED FROM WITNESS XIE, USPS-T-1)

UPS/USPS-T1-54. Does TIMES record only information on containers, or does it also record information on pallets and loose mail? Provide the appropriate documentation to support your answer.

RESPONSE

Yes, TIMES collects some information on containers, pallets and loose mail. This information is incomplete, however, since these fields are not required. See response to UPS/USPS-T1-57. Attached is a copy of a TIMES daily log report showing the fields that TIMES can capture. Operator names have been redacted.

DCIS (BSSC

TRANSPORTATION INFORMATION MANAGEMENT EVALUATION SYSTEM
DAILY LOG REPORT

TIME: 12:45 PM
PAGE: 1

CITY: 200 WASHINGTON DC P&DC
SECTION: BOTH I/O
ORIGIN: HISTORY

DATE: 03/15/00 - 03/15/00 TIME: 00.00 - 04.00
ROUTES: TRIPS:

SERVICE TYPE: HCR, PVS
DROP SHIP, AMTRAK
RMIS, PIP

MTO	ROUTE	TRIP	SCHED DATE/TIME	ACTUAL DATE/TIME	START LOAD | UNLOAD DATE/TIME	END LOAD | UNLOAD DATE/TIME	PERCENTS PRF	PRI	FULL	BED	QP	NUMBER OF CONTAINERS (F/E) BAC	AMT	HAM	PAL	EXP PIECES	5500	5468	DELAY CODE	VAN NUM	DRIVER	DOOR OPER	REMARKS
HINGTON DULLES AMF 20102	200VS	106	03/15/00 00:01	03/15/00 00:05	03/15/00 00:03	03/15/00 00:03	0	0	7	0	0/0	0/0	0/0	0/0	0/0	0	N	N	0	1800444			
HINGTON NATIONAL AMC 20001	200VS	8401	03/15/00 00:01	* CANCELED *							0/0	0/0	0/0	0/0	0/0								NO TRIP
HINGTON NATIONAL AMC 20001	200VS	A113	03/15/00 00:01	03/15/00 00:04	03/15/00 00:00	03/15/00 00:01	0	0	15	0	0/0	0/0	0/0	0/0	0/0	0	N	N	0	8753076			
ADELPHIA PA / AMTRAK STA	190XV	4	03/15/00 00:15	03/15/00 00:15	03/15/00 00:14	03/15/00 00:14	0	0	10	0	0/0	0/0	0/0	0/0	0/0	0	N	N		23122			
HINGTON NATIONAL AMC 20001	200VS	B100C	03/15/00 00:15	* CANCELED *							0/0	0/0	0/0	0/0	0/0								no data
LES P&DC	201AT	7	03/15/00 00:15	* CANCELED *			0	0	0	0	0/0	0/0	0/0	0/0	0/0	0				204557			NO DATA
CHARLOTTESVILLE VA P&DF	22916	2	03/15/00 00:15	03/15/00 00:15	03/15/00 00:13	03/15/00 00:14	0	0	35	0	0/0	0/0	0/0	0/0	0/0	0	N	N		7			
TAL METRO HASP	207L2	9	03/15/00 00:20	03/15/00 00:15	03/15/00 00:18	03/15/00 00:18	0	0	5	0	1/0	0/0	0/0	0/0	0/0	0	N	N		304523		38	
HINGTON NATIONAL AMC 20001	200VS	8403	03/15/00 00:30	* CANCELED *							0/0	0/0	0/0	0/0	0/0								NOT SCHED
HINGTON NATIONAL AMC 20001	200VS	B100A	03/15/00 00:30	03/15/00 00:37	03/15/00 00:30	03/15/00 00:35	0	0	70	0	0/0	0/0	0/0	0/0	0/0	0	N	N	7	1800446			
HINGTON NATIONAL AMC 20001	201AT	7	03/15/00 00:30	* CANCELED *							0/0	0/0	0/0	0/0	0/0								SCHED CHG
TIMORE P&DC MD	212VS	354C	03/15/00 00:30	03/15/00 00:30	03/15/00 00:31	03/15/00 00:31	0	0	10	0	0/0	0/0	0/0	2/0	0/0	0	N	N		7732086			
TAL METRO HASP	207L2	10	03/15/00 00:40	03/15/00 00:40	03/15/00 00:30	03/15/00 00:38	0	0	100	0	0/0	0/0	0/0	0/0	0/0	0	N	N		304614			
THERN MARYLAND P&DC	200VS	B106	03/15/00 00:45	03/15/00 00:45	03/15/00 00:46	03/15/00 00:47	0	0	45	0	0/0	0/0	0/0	1/0	0/0	0	N	N		1800478		26	
HINGTON NATIONAL AMC 20001	200VS	8407	03/15/00 01:00	03/15/00 01:00	03/15/00 00:55	03/15/00 00:58	0	0	50	0	0/0	0/0	0/0	0/0	0/0	0	N	N		1800454			
THERN VIRGINIA GMF	200VS	8603	03/15/00 01:00	03/15/00 01:00	03/15/00 00:58	03/15/00 00:59	0	0	25	0	0/0	0/0	0/0	0/0	0/0	0	N	N		1800438			
THERN MARYLAND P&DC	200VS	B103	03/15/00 01:00	03/15/00 01:00	03/15/00 00:57	03/15/00 00:59	0	0	40	0	0/0	0/0	0/0	0/0	0/0	0	N	N		1800478			
LES P&DC	200VS	B115	03/15/00 01:00	03/15/00 01:00	03/15/00 00:55	03/15/00 00:58	0	0	60	0	0/0	0/0	0/0	0/0	0/0	0	N	N		1738011			
TIMORE P&DC MD	200VS	B116A	03/15/00 01:00	03/15/00 01:00	03/15/00 00:54	03/15/00 00:58	0	0	15	0	0/0	0/0	0/0	0/0	0/0	0	N	N		1800467			
URBAN MD P&DC	200VS	B119	03/15/00 01:00	03/15/00 01:00	03/15/00 00:56	03/15/00 00:59	0	0	30	0	0/0	0/0	0/0	0/0	0/0	0	N	N		8733070			
SHINGTON MTESC	207NT	533	03/15/00 01:00	* CANCELED *							0/0	0/0	0/0	0/0	0/0								NO DATA
TON POST OFFICE MD	21611	1	03/15/00 01:00	03/15/00 00:50	03/15/00 00:51	03/15/00 00:52	0	0	80	0	0/0	0/0	0/0	0/0	0/0	0	N	N		16		37	
BERDEEN POST OFFICE MD	21511	1	03/15/00 01:05	03/15/00 01:10	03/15/00 01:11	03/15/00 01:12	0	0	100	0	0/0	0/0	0/0	0/0	0/0	0	N	N	8	3		40	
SHINGTON NATIONAL AMC 20001	200VS	A113D	03/15/00 01:10	03/15/00 01:10	03/15/00 01:10	03/15/00 01:11	0	0	10	0	0/0	0/0	0/0	0/0	0/0	0	N	N		8745219			
TAL METRO HASP	207L2	11	03/15/00 01:10	03/15/00 01:05							0/0	0/0	0/0	0/0	0/0		N	N		304611			
TIMORE P&DC MD	212VS	354D	03/15/00 01:10	03/15/00 01:10	03/15/00 01:09	03/15/00 01:09	0	0	5	0	0/0	0/0	0/0	0/0	0/0	0	N	N		7732086			
BERDEEN POST OFFICE MD	21611	2	03/15/00 01:10	03/15/00 01:10			0	0	0	0	0/0	0/0	0/0	0/0	0/0	0	N	N		3			
SHINGTON MTESC	207NT	534	03/15/00 01:15	* CANCELED *							0/0	0/0	0/0	0/0	0/0								NO TRIP
STON POST OFFICE MD	21611	2	03/15/00 01:15	03/15/00 01:15	03/15/00 01:07	03/15/00 01:09	0	0	50	0	0/0	0/0	0/0	0/0	0/0	0	N	N		16			
THERN VIRGINIA GMF	200VS	8614	03/15/00 01:25	03/15/00 01:22	03/15/00 01:23	03/15/00 01:24	0	0	25	0	7/0	0/0	0/0	0/0	0/0	0	N	N		8733066		30	
SHINGTON NATIONAL AMC 20001	200VS	8408	03/15/00 01:30	* CANCELED *							0/0	0/0	0/0	0/0	0/0								NO TRIP
SHINGTON NATIONAL AMC 20001	200VS	A113A	03/15/00 01:30	03/15/00 01:43	03/15/00 01:40	03/15/00 01:43	0	0	45	0	0/0	0/0	0/0	0/0	0/0	0	N	N	7	8745219			
SHINGTON NATIONAL AMC 20001	200VS	B123A	03/15/00 01:30	* CANCELED *							0/0	0/0	0/0	0/0	0/0								NO DATA
TAL METRO HASP	207L2	12	03/15/00 01:40	03/15/00 01:20	03/15/00 01:18	03/15/00 01:19	0	0	100	0	0/0	0/0	0/0	0/0	0/0	0	N	N		304623			
RTHERN VIRGINIA GMF	200VS	8114	03/15/00 01:45	* CANCELED *			0	0	30	0	0/0	0/0	0/0	0/0	0/0	0				3066			NO DATA
SHINGTON NATIONAL AMC 20001	200VS	8404	03/15/00 01:45	* CANCELED *							0/0	0/0	0/0	0/0	0/0								NO DATA
SHINGTON NATIONAL AMC 20001	200VS	B100D	03/15/00 01:45	03/15/00 01:40	03/15/00 01:40	03/15/00 01:41	0	0	7	0	0/0	0/0	0/0	0/0	0/0	0	N	N		1800446			
LTIMORE P&DC MD	200VS	B107B	03/15/00 01:45	03/15/00 02:25	03/15/00 02:26	03/15/00 02:30	0	0	50	0	0/0	0/0	0/0	1/0	1/0	0	N	N		437		36	
SHINGTON NATIONAL AMC 20001	201AT	8	03/15/00 01:45	03/15/00 01:30	03/15/00 01:21	03/15/00 01:25	0	0	100	0	0/0	0/0	0/0	0/0	0/0	0	N	N		204580		18	
SHINGTON DC AMTRAK STATION	200VS	8002	03/15/00 01:54	03/15/00 01:48							0/0	0/0	0/0	0/0	0/0		N	N		8733034			
BURBAN MD P&DC	200VS	8803	03/15/00 02:00	03/15/00 02:00	03/15/00 01:59	03/15/00 01:59	0	0	5	0	0/0	0/0	0/0	0/0	0/0	0	N	N		8733066			

ATTACHMENT 7
USPS/USPS-T1-57
PAGE 1 OF 1

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RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF UNITED PARCEL SERVICE (REDIRECTED FROM WITNESS XIE, USPS-T-1)

UPS/USPS-T1-55. Does TIMES record information on the contents, exact or approximate, of a container/pallet/loose item, or of a component of the contents? Provide the appropriate documentation to support your answer.

RESPONSE

The contents of containers, pallets, and loose items are not included in TIMES. TIMES can record the percent of the load that is preferential and Priority; these are not required fields, however. It also can record the number of Express Mail pieces (which can be taken to mean loose items such as Express Mail sacks). This is also not required. TIMES is not designed to record the volume of items (e.g., sacks, trays, loose parcels) or class and subclass volume information. For documentation, see the attachment to UPS/USPS-T1-54.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF UNITED PARCEL SERVICE (REDIRECTED FROM WITNESS XIE, USPS-T-1)

UPS/USPS-T1-56. Does TIMES record information on all movements, or a subset or sample of all movements? If the latter, explain the process that selects the movements for which information is recorded. Provide the appropriate documentation to support your answer.

RESPONSE

TIMES is intended to collect information on all movements in facilities where it is installed. However, data input in TIMES is performed manually. This means certain facilities may not enter TIMES data when data collectors are not present or able to enter information.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF UNITED PARCEL SERVICE (REDIRECTED FROM WITNESS XIE, USPS-T-1)

UPS/USPS-T1-57. Describe the information recorded in the TIMES database, including the variables and the definition of an observation.

RESPONSE

TIMES has records for each vehicle arrival or departure. The fields in TIMES are:

origin and destination facility,

route (highway contract route identification (HCRID) code or postal vehicle service route number),

trip number,

scheduled arrival date and time,

actual arrival date and time,

start load/unload date and time,

end load and unload date and time,

percent of load preferential mail,

percent of load Priority,

percent of load full,

percent of load bedloaded,

number of GPC containers empty and full,

number of BMC containers empty and full,

number of Amtrak containers empty and full,

number of hampers empty and full,

number of pallets (and pallet boxes) empty and full,

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF UNITED PARCEL SERVICE (REDIRECTED FROM WITNESS XIE, USPS-T-1)

Express Mail items,

5500 irregularity code (indicating the contractor was not in full compliance with his contractural responsibilities),

5466 irregularity code indicating whether Postal Service operations has made the vehicle late in arriving,

delay code indicating why the vehicle was late,

van number,

driver name,

door operator's name,

remarks.

Data fields in TIMES are either required or not required. The required fields include arrival or departure time, time loading or unloading started, percent of load full, and percent of floor space utilized. Non required fields include driver's name, seal number, number of containers, pallets and loose items. For a general discussion of the suitability of TIMES for use in costing see witness Bradley's testimony (USPS-T-18) at 57-59. See also the attachment to UPS/USPS-T1-54.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF UNITED PARCEL SERVICE (REDIRECTED FROM WITNESS XIE, USPS-T-1)

UPS/USPS-T1-58. Does the TIMES database contain any information relating to mail volume by mail class or subclass, or by some other categorization of mail? Provide the appropriate documentation to support your answer.

RESPONSE

Please see the responses to UPS/USPS-T1-55 and UPS/USPS-T1-57.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF UNITED PARCEL SERVICE (REDIRECTED FROM WITNESS XIE, USPS-T-1)

UPS/USPS-T1-59. Is it possible to identify emergency or exceptional contracts in the TIMES database? If possible, provide the fraction of containers, or of containers and pallets and loose items, that move by emergency contracts, and the fraction that move by exceptional contracts.

RESPONSE

There is no such thing as an exceptional contract. It is not possible to reliably obtain the fraction of containers, pallets or loose items in TIMES as these are not yet required fields. Please see the response to UPS/USPS-T1-57 and the attachment to UPS/USPS-T1-54.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF UNITED PARCEL SERVICE (REDIRECTED FROM WITNESS XIE, USPS-T-1)

UPS/USPS-T1-60. The Data Quality Study prepared by A.T. Kearney makes reference to a transportation flow model, to be developed by "Operations."

(a) Has this model been implemented? If not, give the schedule for implementation.

(b) Does or will this model make use of NASS and TIMES data?

(c) If implemented, has the Postal Service followed the Study recommendation to use the model to examine cost causality issues?

(d) If not yet implemented, does the Postal Service plan to follow the Study recommendation? If so, does the Postal Service currently anticipate completion by a certain time?

RESPONSE

(a)-(d) The transportation flow model project has been canceled because of budgetary considerations. There are no plans to resurrect the project in the foreseeable future. Given these facts, there is no way to implement the recommendation.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO FOLLOW-UP INTERROGATORIES OF UNITED PARCEL SERVICE
(REDIRECTED FROM WITNESS XIE)

UPS/USPS-TI-78. Refer to the Postal Service's response to interrogatory UPS/USPS-TI-22, which identifies a file named LAXSTN.PS272D14(0) (NASS for Network Air), and interrogatory UPS/USPS-TI-25, which identifies a file named LAXSTN.PS272D13(0) (NASS for Highway).

a) Define the meaning of "Transportation Codes" and its value "N," used in these files. Is this the same as the variable "WS-OUT-TRANS-CODE"?

b) Is LAXSTN,PS272D14(0) composed solely of network air records? If not, of what is it composed?

c) Is LAXSTN,PS272D13(0) composed solely of highway records? If not, of what is it composed?

RESPONSE.

a) Transportation Code means how the mail was moved. A value of "N" indicates that the mail was moved through the Network (or hub). Yes, this is the same as the variable "WS-OUT-TRANS-CODE".

b) Yes.

c) No. This file contains drayage ("D"), highway ("H"), vehicle ("V") and water ("W") records.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF UNITED PARCEL SERVICE REDIRECTED FROM WITNESS HUNTER

UPS/USPS-T5-86.

(a) For Parcel Post, how is the output from Job 3 used to calculate rates for pieces with different weights within a subclass and zone?

(b) What use is made of the BRPW tables from Job 3 in establishing postal rates?

RESPONSE.

a-b. The BRPW estimates at the RPW Code level along with DRPW and miscellaneous estimates of revenue, volume and weight are input to the RPW model to provide estimates of total revenue, volume and weight of Parcel Post by RPW Code. The combined volume estimates by intra-BMC, inter-BMC, and destination-entry Parcel Post are then distributed to weight and zone within these entry categories by applying the zoned weight cell distributions from the DRPW to the combined BRPW and DRPW estimates at the RPW Code and zone level. Estimates from BRPW do not provide distributions by weight cell, but they do provide distributions by zone, so reference is made to the DRPW distributions by weight within zone. The zone-based weight distributions thus developed are then incorporated into the Parcel Post billing determinants. The billing determinants pull information from RPW and other data sources to develop a distribution of Parcel Post pieces to weight cell within zone for each entry category. The billing determinant process develops a distribution of Parcel Post pieces to each rate element in the Parcel Post rate schedules, and then multiplies those distributions by the applicable

rates to develop revenue estimates. These revenue estimates are then compared to the RPW revenue estimates, and revenue adjustment factors are developed whereby the discrepancy between the RPW revenue figures and the revenue estimates calculated by multiplying volumes by rates may be discerned. To the extent that the distributions of BRPW volumes by weight increments may not be perfectly matched to the distributions of DRPW to weight increment, the revenue adjustment factors will incorporate this difference. Revenue adjustment factors also accommodate under or over-payment of postage.

The billing determinants are then used to develop the fixed weight indices used in volume forecasting. In addition, in the context of a rate case, the billing determinants are used as distribution keys to spread the forecasted test year volume of Parcel Post to weight and zone and service category in order to calculate test year before and after rates revenues.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF UNITED PARCEL SERVICE (Redirected from witness Kingsley, USPS-T-10)

USP/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 and category and entry discounts."

RESPONSE:

It is the Postal Service's understanding that the audit examined the individual forms, noting deficiencies in the completion of various items without attempting to correlate those deficiencies with actual deficiencies in the handling of the mail or the payment of postage. It should also be noted that information not contained in various items on the forms may have been available from elsewhere on the form or from other sources. With those caveats, the following information is provided for those mailers using the proper PS Form 8125, which was the July 1998 edition.

(a) Twenty-two (22) PS Forms 8125 did not indicate the "class of mail and product name."

(b) Four (4) PS Forms 8125 did not indicate "processing and category and entry discounts."

Response of United States Postal Service
to
Interrogatories of United Parcel Service
(Redirected from witness Meehan, USPS-T-11)

UPS/USPS-T11-6 Refer to USPS-LR-I-80, File Cs06&7.xls, Tabs Input LR and 7.0.4.1.

(a) Line 5 represents "Vehicle Use Factor."

(i) What is the definition and source of the "Vehicle Use Factor"?
(ii) How is this factor used in your calculations?

(b) Lines 6 and 8 both represent "Route/Access (FAT)." The two lines are not equal. Line 6 appears to be the sum of line 7, "driving time", and line 8.

(i) Why do the lines both represent "Route/Access (FAT)"?
(ii) How is line 6 used in your calculations?
(iii) How is line 8 used in your calculations?

Response:

(a) (i) The Vehicle Use Factor is the percentage of time on a motorized route that a vehicle is in use. See also USPS-T-20 pages 11-12 for further detail.

(ii) The Vehicle Use factor is not used by Witness Meehan in calculating Postal Service costs. It is used by the PRC in their calculations of attributable cost. The source of the Vehicle Use Factor shown on line 5 is correct. The factors listed in USPS-LR-I-80, Tab Input LR, File Cs06&7.xls, line 5, are incorrect. Corrected Vehicle Use Factors would cause an overall decrease in attributable cost of approximately $3.8 million in the PRC version of the base year 1998 cost model, contained in USPS-LR-I-130.

Response of United States Postal Service
to
Interrogatories of United Parcel Service
(Redirected from Witness Meehan USPS-T-11)

UPS/USPS-T11-7. Provide data by year and by quarter for the period from PFY1970 through PFY 1998 on total accrued costs for Cost Segment 2, "Supervisors and Technicians." If data are not available for the full period, provide data for all periods for which data are available. If for all or part of the period data are available annually but not quarterly, provide annual totals for those portions of the specified period and quarterly data for all periods for which it is available.

Response:

The cost data are available for GFY, not PFY. The attached table shows costs for the following: column (1) for Government Fiscal Year (FY) for Period, otherwise postal quarters are designated by 1,2,3 or 4 and the next 2 digits indicate year; column (2) is for supervision of mail processing; column (3) is for total supervision costs; column (4) is for mail processing; column (5) is for total clerk and mail handlers in Cost Segment 3; column (6) is for operating equipment maintenance; and column (7) is for total custodial and maintenance.

Table 1

Response of United States Postal Service to Interrogatories
of the Office of the Consumer Advocate
OCA/USPS-122 d.

		FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	Since Inception
FirstClass Phone Cards	Operating Revenue:	$ -	$ 1,083,330	$ 10,032,412	$ 17,075,405	$ 19,485,113	$ 47,676,260
	Operating Expenses:	$ 401,420	$ 1,271,611	$ 12,465,659	$ 15,437,669	$ 14,535,294	$ 44,111,653
	Operating Income (Loss)	$ (401,420)	$ (188,281)	$ (2,433,247)	$ 1,637,736	$ 4,949,819	$ 3,564,607
Retail Merchandise	1/ Operating Revenue:	$ -	$ -	$ 25,916,903	$ 44,115,757	$ 25,602,150	$ 95,634,810
	Operating Expenses:	$ -	$ -	$ 23,674,015	$ 36,322,564	$ 21,354,868	$ 81,351,447
	Operating Income (Loss)	$ -	$ -	$ 2,242,888	$ 7,793,193	$ 4,247,282	$ 14,283,363
PostOffice Online	2/ Operating Revenue:	$ -	$ -	$ -	$ -	$ -	$ -
	Operating Expenses:	$ -	$ -	$ -	$ 9,585,928	$ 18,185,295	$ 27,771,223
	Operating Income (Loss)	$ -	$ -	$ -	$ (9,585,928)	$ (18,185,295)	$ (27,771,223)
LibertyCash	3/ Operating Revenue:	$ -	$ -	$ -	$ -	$ -	$ -
	Operating Expenses:	$ -	$ -	$ -	$ 9,618,830	$ 1,567,523	$ 11,186,353
	Operating Income (Loss)	$ -	$ -	$ -	$ (9,618,830)	$ (1,567,523)	$ (11,186,353)
Dinero Seguro	Operating Revenue:	$ -	$ 28,090	$ 1,413,719	NA	$ 6,200,000	NA
	Operating Expenses:	$ -	$ 2,455,653	$ 9,559,617	$ 16,820,138	$ 13,515,053	$ 42,350,461
	Operating Income (Loss)	$ -	$ (2,427,563)	$ (8,145,898)	NA	$ (7,315,053)	NA
REMITCO	4/ Operating Revenue:	$ -	$ -	$ 1,357,418	NA	$ 3,900,000	NA
	Operating Expenses:	$ 16,500	$ 1,243,369	$ 6,255,325	$ 11,129,750	$ 13,958,480	$ 32,603,424
	Operating Income (Loss)	$ (16,500)	$ (1,243,369)	$ (4,897,907)	NA	$ (10,058,480)	NA
Sure Money	5/ Operating Revenue:	$ -	$ -	$ -	$ -	$ -	$ -
	Operating Expenses:	$ -	$ -	$ -	$ 1,326,923	$ 2,133,342	$ 3,460,265
	Operating Income (Loss)	$ -	$ -	$ -	$ (1,326,923)	$ (2,133,342)	$ (3,460,265)

1/ Includes $634,689 of costs to develop and create products.

2/ PostOffice Online is an Internet based distribution channel for delivery of postal services . The initial offering included Mailing Online, Shipping Online and secure payment over the Internet. Earlier versions of Internet services also included Electronic Commerce and Desktop Post Office. As such, the prior years amounts for PostOffice Online are shown in a single column.

3/ The information on LibertyCash is available only as a total "Prior Years" amount before FY 1999.

4/ Effective 07/01/99, the Postal Service released its interest in REMITCO.

5/ Nearly all prior year expenses were in FY 1998.

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

OCA/USPS-123. Are the revenue and expense figures set forth in LR-I-248 for "[v]arious 'nonpostal' programs for the period ended Quarter IV, 1999" for the entire fiscal year 1999, i.e., Quarter I - Quarter IV, 1999? If not, please explain the period of time that is reflected. Also, are the figures expressed in thousands, i.e., should "000" be added for each figure presented? If not, please explain.

RESPONSE:

Yes, the revenue and expense figures set forth in LR-I-248 for "[v]arious 'nonpostal' programs for the period ended Quarter IV, 1999" are for the entire fiscal year 1999, i.e., Quarter I - Quarter IV, 1999. Yes, the figures expressed are in thousands, i.e., "000" should be added for each figure presented.

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

OCA/USPS-124. Does the Postal Service offer PostECS at the present time? If so, why has PostECS been omitted from the list of nonpostal services set forth in LR-I-248? If the Postal Service does offer PostECO service, then provide for Post ECS all of the information that has been requested in OCA/USPS-122.

RESPONSE:

No, the Postal Service does not offer PostECS as a service at the present time. PostECS is currently being pilot tested by the Postal Service to determine its viability as a service that could be offered by the Postal Service in the future.

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

OCA/USPS-125. Does the Postal Service offer a product or service called PostX at the present time? If so, why has PostX been omitted from the list of nonpostal services set forth in LR-I-248? If the Postal Service does offer PostX service, then provide for PostX all of the information that has been requested in OCA/USPS-122.

RESPONSE:

No, the Postal Service does not offer a product or service called PostX. PostX is a privately held corporation based in Cupertino, California that today announced it will be the first company to offer USPS Electronic Postmark for Internet Documents.

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

OCA/USPS-126. Does the Postal Service offer a product or service called Electronic Postmark at the present time? If so, why has the Electronic Postmark been omitted from the list of nonpostal services set forth in LR-I-248? If the Postal Service does offer Electronic Postmark service, then provide for Electronic Postmark all of the information that has been requested in OCA/USPS-122.

RESPONSE:

The Postal Service today will begin offering a service called USPS Electronic Postmark. USPS Electronic Postmark is a feature designed for email subscribers interested in ensuring a higher level of security for their electronic messages and will be available through participating email providers as an add-on feature. Previously, USPS Electronic Postmark was in the pilot phase of development. As such, detailed financial data on the extant service does not exist.

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

OCA/USPS-127. Please refer to ;the response to OCA/USPS-T9-31. Are the costs and revenues resulting in the "difference of $31.1 million" limited to the enumerated services in the Rule 54(h)(1) statement (i.e., insurance, COD, money orders, ... draft registration)?

RESPONSE:

No.

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

OCA/USPS-128. Government Accounting Office Report "U.S. Postal Service: Development and Inventory of New Products," GAO/GGD-99-15, issued November 24, 1998, indicates that for the non-postal products and services studied through FY 1997 showed total revenues of $148.8 million and expenses of $233.5 million. For the domestic non-postal products and services only which were included in the GAO report, please reconcile the revenues and expenses with the revenues and expenses through FY 1997 of the non-postal services listed in LR-I-248 and in responses to OCA/USPS-122-126. If any such products and services are not either listed in LR-I-248 or in response to OCA/USPS-122-126, please explain why they were omitted.

RESPONSE:

Table 1 that accompanies this response provides a comparison of the amounts shown in the Government Accounting Office Report "U.S. Postal Service: Development and Inventory of New Products," GAO/GGD-99-15, issued November 24, 1998, and the amounts shown in the response to OCA/USPS-122. Table 1 that accompanies the response to OCA/USPS-122 d) provides the information as it was presented to the Board of Governors over a period of years.

The omission of any products that were listed in the GAO report from LR-I-248 is the merely the result of interpretation. The information provided in the library reference was taken from the presentations to the Board of Governors because it was most current. Thus, the products and services listed in the response were merely those listed in the Board presentation.

Response of United States Postal Service to Interrogatories
of the Office of the Consumer Advocate
OCA/USPS-128
Table 1

LR-248	Internat'l	GAO Report Products	Profit (Loss)	Without Internat'l	OCA 122d. Table 1	Difference
X		FirstClass PhoneCard	(3.0)	(3.0)	(2.4)	0.6
X		REMITCO	(6.1)	(6.1)	(4.9)	1.2
		Electronic Commerce Services	(20.3)	(20.3)		
	X	Global Priority Mail	(5.4)			-
	X	Global Package Link	(1.1)			-
X		Retail Merchandise	3.3	3.3	2.2	(1.1)
		Postmark America				
X		PostOffice Online	(0.8)	(0.8)	NA	
		WEB Interactive Network of Gov't Services	(4.0)	(4.0)		
		Deliver America	(3.2)	(3.2)		
		Information Based Indicia Program	(3.1)	(3.1)		3.1
		Customer Initiated Payment System	(1.3)	(1.3)		1.3
		Unisite Antenna Program	(1.6)	(1.6)		1.6
X		LibertyCash	(6.4)	(6.4)		6.4
X		Dinero Seguro	(10.5)	(10.5)	NA	
X		Sure Money	(0.5)	(0.5)	(8.1)	(7.6)
		Delivery Confirmation	(2.9)	(2.9)	NA	
		Provisional Packaging Service	(2.6)	(2.6)		
		Pack and Send				
		Fastnet	(11.7)	(11.7)		
	X	Global e-Post	(3.5)			
			(84.7)	(74.7)	(13.2)	61.5

Response of United States Postal Service
to
Interrogatories of United Parcel Service
(Redirected from Witness Meehan USPS-T-11)

UPS/USPS-T11-6 Describe any major changes that have occurred over the period from PFY 1970 through PFY 1998 in the definition of Cost Segment 2, "Supervisors and Technicians," or in the procedures for calculating these costs. Indicate also the dates on which these changes occurred.

Response:

Testimonies in prior dockets by Postal Service witnesses Orenstein (R76-1), Graham (R77-1), Alenier (R80-1), Bailey (R84-1), Barker (R87-1), Barker (R90-1), Barker (R94-1) and Alexandrovich (R97-1), addressed cost changes, as did the corresponding Summary Descriptions LR-C-1 (R80-1), LR-D-1 (R84-1), LR-E-1 (R87-1), LR-F-1 (R90-1), LR-G-1 (R94-1), LR-H-1 (R97-1) and LR-I-1 (R2000-1).

Response of United States Postal Service
to
Interrogatories of United Parcel Service
(Redirected from Witness Meehan USPS-T-11)

UPS/USPS-T11-9 Provide data by year and by quarter for the period from PFY 1970 through PFY 1998 on total accrued costs for Cost Segment 2.1, "Supervision of Mail Processing." If data are not available for the full period, provide data for all periods for which data are available. If for all or part of the period data are available annually but not quarterly, provide annual totals for those portions of the specified period and quarterly data for all periods for which it is available.

Response:

See response to UPS/USPS-T11-7.

Response of United States Postal Service
to
Interrogatories of United Parcel Service
(Redirected from Witness Meehan USPS-T-11)

UPS/USPS-T11-10 Describe any major changes that have occurred over the period from PFY 1970 through PFY 1998 in the definition of Cost Segment 2.1, "Supervision of Mail Processing," or in the procedures for calculating these costs. Indicate also the dates on which these changes occurred

Response:

See response to UPS/USPS-T11-8.

Response of United States Postal Service
to
Interrogatories of United Parcel Service
(Redirected from Witness Meehan USPS-T-11)

UPS/USPS-T11-11 Provide data by year and by quarter for the period from PFY 1970 through PFY 1998 on total accrued costs for Cost Segment 3, "Clerks and Mailhandlers, CAG A-J Post Offices." If data are not available for the full period, provide data for all periods for which data are available. If for all or part of the period data are available annually but not quarterly, provide annual totals for those portions of the specified period and quarterly data for all periods for which it is available.

Response:

See response to UPS/USPS-T11-7.

Response of United States Postal Service
to
Interrogatories of United Parcel Service
(Redirected from Witness Meehan USPS-T-11)

UPS/USPS-T11-12 Describe any major changes that have occurred over the period from PFY 1970 through PFY 1998 in the definition of Cost Segment 3.1, "Mail Processing." If data are not available for the full period, please provide data for all periods for which data are available. If for all or part of the period data are available annually but not quarterly, please provide annual totals for those portions of the specified period and quarterly data for all periods for which it is available.

Response:

See responses to UPS/USPS-T11-7 and UPS/USPS-T11-8.

Response of United States Postal Service
to
Interrogatories of United Parcel Service
(Redirected from Witness Meehan USPS-T-11)

UPS/USPS-T11-13 Describe any major changes that have occurred over the period from PFY 1970 through PFY 1998 in the definition of Cost Segment 3.1, "Mail Processing," or in the procedures for calculating these costs. Indicate also the dates on which these changes occurred.

Response:

See response to UPS/USPS-T11-8.

Response of United States Postal Service
to
Interrogatories of United Parcel Service
(Redirected from Witness Meehan USPS-T-11)

UPS/USPS-T11-14. Provide data by year and by quarter for the period from 1970 through 1998 on total accrued costs for Cost Segment 11, "Custodial and Maintenance Services." If data are not available for the full period, provide data for all periods for which data are available. If for all or part of the period data are available annually but not quarterly, provide annual totals for those portions of the specified.

Response:

See response to UPS/USPS-T11-7.

Response of United States Postal Service
to
Interrogatories of United Parcel Service
(Redirected from Witness Meehan USPS-T-11)

UPS/USPS-T11-15 Describe any major changes that have occurred over the period from PFY 1970 through PFY 1998 in the definition of Cost Segment 11, "Custodial and Maintenance Services," or in the procedures for calculating these costs. Indicate also the dates on which these changes occurred.

Response:

See response to UPS/USPS-T11-8.

Response of United States Postal Service
to
Interrogatories of United Parcel Service
(Redirected from Witness Meehan USPS-T-11)

UPS/USPS-T11-16 Provide data by year and by quarter for the period from 1970 through 1998 on total accrued costs for Cost Segment 11.2, "Operating Equipment Maintenance." If data are not available for the full period, provide data for all periods for which data are available. If for all or part of the period data are available annually but not quarterly, provide annual totals for those portions of the specified period and quarterly data for all periods for which it is available.

Response:

See response to UPS/USPS-T11-7.

Response of United States Postal Service
to
Interrogatories of United Parcel Service
(Redirected from Witness Meehan USPS-T-11)

UPS/USPS-T11-17 Describe any major changes that have occurred over the period from PFY 1970 through PFY 1998 in the definition of Cost Segment 11.2, "Operating Equipment Maintenance," or in the procedures for calculating these costs. Indicate also the dates on which these changes occurred.

Response:

See response to UPS/USPS-T11-8.

ATTACHMENT
UPS/USPS-T11
7-1

ACCRUED TOTALS FOR SELECTED COST SEGMENTS & COMPONENTS
($ 000)

Period (1)	n.s	C/S 2.1 (2)	C/S 2 (3)	C/S 3.1 (4)	C/S 3 (5)	C/S 11.2 (6)	C/S 11 (7)
The following Fiscal Years (GFY) begin on July 1 and end on June 30 of the next calendar year.							
1970	(1)	158,293	529,721	2,343,833	2,913,011	n/a	219,977
1971	(2)	178,559	582,111	2,563,734	3,190,225	n/a	253,540
1972	(3)	No data found for this period. See note 7.					
1973	(4)	221,036	632,199	2,840,303	3,546,702	n/a	300,679
1974	(5)	242,329	722,736	3,183,192	4,041,007	n/a	365,553
1975	(6)	281,833	850,317	3,343,495	4,451,588	n/a	422,600
1976	(7)	297,724	See note 2.	3,469,031	4,829,610	n/a	481,359
TQ	(8)	Transition Quarter: July 1, 1976 through September 30, 1976. No data available.					
The following Fiscal Years (GFY) begin on October 1 and end on September 30 of the next calendar year.							
1977	(9)	321,147	518,148	3,966,422	4,518,100	See note 6.	260,899
1978	(10)	346,366	567,869	3,934,493	4,828,075	See note 6.	243,134
1979	(11)	366,666	1,093,663	4,314,963	5,962,435	160,268	596,864
1980	(12)	410,393	1,259,883	4,965,711	6,627,831	163,044	673,403
1981	(13)	373,319	1,372,269	5,412,484	7,202,478	206,563	754,667
1982	(14)	369,612	1,550,302	5,671,384	7,625,173	238,522	846,453
1983	(15)	425,918	1,654,579	6,106,586	8,213,927	270,611	931,557
1984	(16)	468,417	1,792,251	6,631,237	9,082,489	295,936	1,000,555
1985	(17)	501,830	1,993,789	7,471,452	9,842,752	314,711	1,060,140
1986	(18)	533,432	2,123,142	7,705,733	10,213,794	333,140	1,106,796
1987	(19)	563,761	2,419,559	8,273,395	11,000,803	358,063	1,171,297
1988	(20)	607,550	2,609,372	8,964,733	11,875,802	397,837	1,289,137
1989	(21)	666,779	2,767,467	9,736,946	12,614,719	548,371	1,393,687
1990	(22)	699,780	2,838,475	10,283,967	13,311,444	583,903	1,483,635
PQ191	(23)	168,300	678,909	2,556,970	3,300,862	146,313	361,675
PQ291	(24)	166,075	673,588	2,463,131	3,293,823	146,784	362,114
PQ391	(25)	164,947	665,706	2,369,319	3,128,664	152,415	373,616
PQ491	(26)	206,060	822,513	3,076,544	4,097,433	205,887	500,900
1991	(27)	706,093	2,964,097	10,695,437	14,013,810	859,366	1,818,351
PQ192	(28)	205,160	737,075	2,523,647	3,335,789	160,925	389,951
PQ292	(29)	208,556	768,171	2,527,214	3,335,847	163,983	396,502
PQ392	(30)	209,145	750,484	2,406,523	3,207,261	168,235	405,966
PQ492	(31)	270,267	970,295	3,107,479	4,179,285	223,080	532,453
1992	(32)	889,654	3,238,703	10,631,929	14,148,042	720,209	1,734,576
PQ193	(33)	186,821	686,280	2,620,717	3,353,813	169,785	397,788
PQ293	(34)	178,462	659,042	2,592,282	3,467,787	171,217	402,235
PQ393	(35)	196,582	654,791	2,606,026	3,401,582	178,333	421,546
PQ493	(36)	266,114	849,895	3,214,330	4,409,727	236,773	556,445
1993	(37)	834,041	2,846,129	11,090,144	14,706,866	759,837	1,767,344
1994	(38)	957,861	2,964,880	11,603,799	15,561,063	837,624	1,935,667
1995	(39)	984,863	3,170,597	12,016,276	16,053,644	906,880	2,058,093
1996	(40)	1,058,947	3,280,972	12,455,393	16,456,091	944,163	2,113,576
PQ497	(41)	n/a	1,061,341	4,107,837	5,102,806	304,772	674,717
1997	(42)	890,550	3,387,188	13,948,589	17,287,742	1,002,984	2,220,544
PQ198	(43)	n/a	767,271	3,312,707	4,105,736	237,200	522,997
PQ298	(44)	n/a	777,912	3,383,226	4,185,365	236,408	523,747
PQ398	(45)	n/a	835,210	3,248,962	4,066,562	244,204	541,276
PQ498	(46)	n/a	1,111,339	4,194,636	5,213,702	319,183	706,758
1998	(47)	962,803	3,512,450	14,192,763	17,846,127	1,043,952	2,304,302

Notes:

- n/a — Generally, not available (n/a); or information makes no clear distinction by sub-component especially for FYs 1970-76.
- 1 — For FY 1983 and prior years, current CRA was originally RCA (Revenue and Cost Analysis).
- 2 — FY 1976 costs for C/S 1 & 2 = $1,820,106(000). Comments on the RCA site inclusion of "management structure" costs, and treat some of the postmaster costs with other supervisors totalling $889,217(000).
- 3 — Postal Quarters (PQs) may not sum to annual amounts shown because of accounting adjustments made throughout the year.
- 4 — Due to the age of certain of the pre-1990 hardcopy records, it was difficult to read some of the numbers. Thus, some of the above numbers may have been transcribed inaccurately.
- 5 — Mail processing costs include truck terminal costs for Fiscal Years 1970-1976.
- 6 — Component 11.2 (in part) for FY 1977 = $19,525, and for FY 1978 = $28,056, with the remainder combined with space-related costs.
- 7 — Efforts to locate records for FY 1972 RCA published documents failed.
- 8 — Some of these data can be found in RCAs and their corresponding cost summaries, and CRAs and their corresponding Cost Segments and Components Reports on file at the Postal Rate Commission.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO UPS INTERROGATORIES
(Redirected from witness Degen, USPS-T-16)

UPS/USPS-T16-3. Provide all computer codes and log files used to generate USPS LR-I-138, PRC Version/MODS-Based Costing, SAS Outputs and Spreadsheets.

RESPONSE TO UPS/USPS-T16-3.

For the computer codes used to generate the SAS outputs and spreadsheets in USPS LR-I-138, please refer to the Postal Service response to POIR1/USPS-9.

The SAS logs are contained in zip format in the diskette filed in USPS LR-I-223

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF THE UNITED PARCEL SERVICE (REDIRECTED FROM WITNESS BRADLEY, USPS-T-18)

UPS/USPS-T18-2. Provide the following information about Exceptional contracts:

(a) A detailed definition of an Exceptional contract, supplemental to the information contained in Postal Service Handbook F-8 (USPS-LR-I-183).

(b) A copy of the relevant Postal Service handbook that describes these contracts, supplemental to Handbook F-8.

(c) Why do such contracts exist?

(d) Under what conditions are these contracts created?

(e) How far in advance of need is an Exceptional contract let?

(f) Into which management information systems and data bases is information on such contracts entered, and at what point in time?

(g) Does the Postal Service require that a justification or explanation be recorded when an Exceptional contract has been requested?

(h) Does the Postal Service collect any data on the composition of mail classes carried under Exceptional contracts? If so, provide the information data set.

(i) Give details of the circumstances and the frequency with which Exceptional contracts are converted to regular contracts and vice versa.

(j) Explain the use of Form 5429, mentioned in Handbook F-8 (as in the description of Account 53125 on page 1343, for example) in the context of Exceptional contracts.

(k) What management information system or data base records the contents of Form 5429 submissions?

RESPONSE

(a) There is no such thing as an exceptional service contract.

(b) Not applicable.

(c) They do not.

(d) They are not.

(e) Not applicable.

(f) Not applicable.

(g) Not applicable.

(h) Not applicable.

(i) Not applicable.

(j) As mentioned in item a above, there is no such thing as an exceptional contact. Form 5429 (Certification of Exceptional Contract Service Performed), among other things, are used to document performance of exceptional service on an emergency, temporary, or regular contract. When exceptional service is needed, a 5429 is completed.

(k) TIMES, VTAPS, and the postal service accounting system. TIMES is a system used to monitor vehicle utilization and performance. VTAPS is a similar information system used to manage highway trailers and rail vans at BMCs. The Postal Service accounting system assigns the cost of the exceptional service to the appropriate exceptional service account.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF THE UNITED PARCEL SERVICE (REDIRECTED FROM WITNESS BRADLEY, USPS-T-18)

UPS/USPS-T1 8-3. Provide the following details about Emergency contracts:

(a) A detailed definition of an Emergency contract, supplemental to the information contained in Postal Service Handbook F-8 (USPS-LR-I-183).

(b) A copy of the relevant Postal Service handbook that describes these contracts, supplemental to Handbook F-8.

(c) Why do such contracts exist?

(d) Under what conditions are these contracts created?

(e) How far in advance of need is an Emergency contract let?

(f) Into which management information systems and data bases is information on such contracts entered, and at what point in time?

(g) Does the Postal Service require that a justification or explanation be recorded when an Emergency contract has been requested?

(h) Does the Postal Service collect any data on the composition of mail classes carried under Emergency contracts? If so, provide the information data set.

(i) Give details of the circumstances and the frequency with which Emergency contracts are converted to regular contracts and vice versa.

(j) Explain the use of Form 5429, mentioned in Handbook F-8 (as in the description of account 53126 on page 1344, for example) in the context of Emergency contracts.

(k) What management information system or data base records the contents of Form 5429 submissions?

RESPONSE

(a) An emergency contract is a contract let under postal purchasing procedures outlined in the Purchasing Manual dated January 1997, Section 4, part 4.5.b.2.

(b) See attached pages from the Purchasing Manual (PM).

(c) See the PM, Section 4, part 4.5.5.c.3.

(d) See the PM, Section 4, part 4.5.5.c.3.

(e) At the time of an emergency.

(f) The Highway Contract Support System, at the time the contract is awarded.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF THE UNITED PARCEL SERVICE (REDIRECTED FROM WITNESS BRADLEY, USPS-T-18)

(g) The emergency contract award must generally meet the criteria and circumstances discussed in the PM, Section 4.5.5.c.3.

(h) No.

(i) Emergency contracts are not converted to regular contracts. If a requirement that is operating under an emergency contract is determined to be a long term requirement, it is offered to the marketplace using standard purchasing procedures.

(j) PS Form 5429 is used to document that service has been performed for unit rate contracts.

(k) See response to UPS/USPS-T18-2(k).

ATTACHMENT
UPS/USPS-T18-3
PAGE 1 OF 9

53 Highway Contract Service

531 Authorization

The Postal Service is authorized to contract for surface transportatior under 39 U.S.C. 5005. Regulations for procuring transportation contr highway are contained in the *Purchasing Manual* (see 4.5.8 and App for Contract Clauses). Policies regarding highway contracts are cont Handbook PO-513, *Mail Transportation Procurement Handbook.*

532 Types of Service

532.1 General

There are three types of highway transportation contracts: regular, temporary, and emergency. Under each of these contract arrangeme service is procured for either transportation or box delivery. Transpor contracts provide service between postal facilities, mailer plants, and facilities. Box delivery routes are similar to rural delivery service and home or business delivery of mail in sparsely populated areas.

532.2 Regular

Regular highway transportation contracts are awarded through a con sealed bid process. Contracts are normally awarded for a term of 4 y are renewable by mutual agreement. An indemnity clause makes the Service liable for the indemnity payment in the event the contract is terminated (for other than default) by the Postal Service before its sc expiration date.

532.3 Temporary

Temporary highway transportation contracts are similar to regular co except they carry no indemnity provisions and they may not exceed 2 in term. A one-time renewal term is allowed, not to exceed 2 years.

532.4 Emergency

Emergency highway transportation contracts are entered into to mee unusual needs when an emergency occurs that interrupts normal transportation services, such as a catastrophic event, strikes or labor disputes, death of a contractor and the estate will not continue servic suspension or removal of a contractor, or generation of unexpected n volume. No emergency contract may remain in effect for more than 6 without the approval of the next higher level of contracting authority. Emergency contracts may not be renewed.

533 Contract Administration

533.1 Contracting Officer

The contracting officer has sole authority for committing the Postal Service contractually; that is, to award, amend, terminate, or otherwise alter the contract provisions. The contracting officer also has final authority to approve or deny access to mail or equipment and route recommendations.

533.2 Administrative Official

Administrative officials are not authorized to award, agree to, amend, terminate, or otherwise change the provisions of the contract. Administrative officials are responsible for ensuring contractor compliance with the operational requirements of highway contract routes and administering functions related to performance of that service. Specifically, administrative officials are responsible for the following:

a. Supervising the contractor's operations daily to ensure contract compliance, including necessary recordkeeping.

b. Screening all contractors, subcontractors, and contract employees who will have access to the mail.

Note: The contracting officer makes the final determination for either approving or denying access to mail and equipment.

c. Investigating irregularities and complaints regarding service on the route and taking corrective action as warranted under 535 and reporting to the contracting officer any full or partial trips not performed, including the miles of service omitted and the reasons for omission.

d. Recommending establishment, discontinuance, or modifications in existing routes. This is accomplished by completing Form 5407, *Highway Contract Route Survey/Service Change*, and forwarding it to the contracting officer, who has final authority on such matters.

534 Performance Monitoring

The contracting officer is responsible for monitoring contractor performance to ensure that the contractor provides all the services and equipment required under the terms of the agreement. To do this, the contracting officer appoints an administrative official to record contract performance on a day-to-day basis. This is generally the postmaster or manager of the facility where the highway contract route originates. The contracting officer outlines the duties and responsibilities of the administrative official and provides guidance and instruction for properly completing forms and otherwise documenting contract performance. The contracting officer may request additional performance reports, if necessary.

535 Irregularities Reporting

535.1 Form 5500

Use Form 5500, *Contract Route Irregularity Report,* to report contract route irregularities, including safety deficiencies involving highway contract route (HCR) vehicles and equipment, or a driver's unsafe work practices and procedures while on postal premises. Administrative officials, SCF postmasters, and supervisory officials at large installations other than post offices are authorized to issue Form 5500 to contractors serving their facilities.

535.2 Administrative Officials' Actions

535.21 Review

Administrative officials review the irregularities reported and the contractor's comments in section 2 of Form 5500, consult with the contractor, and take appropriate corrective action.

535.22 Conference

535.221 Persistent Irregularities

If irregularities persist or become more serious, the administrative official arranges a conference with the contractor and the contracting officer (or a representative). At this conference, the administrative official informs the contractor of the number and gravity of the irregularities, of the need for immediate correction, and the serious consequences that will ensue if they are not corrected immediately.

535.222 Memorandum for the File

Following this conference, the administrative official writes a memorandum for the file, recording all pertinent statements made by each of the parties during the conference and sends a copy of this memorandum to the contractor and the contracting officer.

535.23 Written Warning

If the conference does not improve the service, the administrative official warns the contractor that the case will be forwarded to the contracting officer for appropriate attention if service does not improve within 3 days. This warning is confirmed by a letter advising the contractor that failure to correct the irregularities may cause termination of the contract for default. A copy of the letter must be sent to the surety or sureties, if any.

535.24 Recommendation

If service still has not improved by the end of the 3-day period, the administrative official forwards the complete file to the contracting officer. The memorandum transmitting the file must briefly describe the irregularities and recommend appropriate action.

536 Certification and Payment

536.1 General

When a contract has been signed by the contractor, the contracting officer (CO) forwards the signed contract to the St. Louis Accounting Service Center (ASC). The ASC makes payments for service performed only after a certified copy of the contract is filed by the CO to the ASC.

536.2 Omitted Service Deductions

The contracting officer, by considering circumstances and past records, must decide whether deductions should be made for service omitted. Deductions are not made for omitted service caused by catastrophes or acts of God. If deductions are warranted, the contracting officer prepares orders on Form 7440, *Contract Route Service Order*, as follows: "Deduct $___ for service not performed as shown below. Such amount to be deducted from the contractor's pay for postal accounting period ___." List service omitted and dates.

54 Rail Transportation Service

541 Authorization

In accordance with the provisions of 39 U.S.C. 5005, the Postal Service is authorized to contract with railroads for mail transportation whenever rail transportation meets delivery standards and is more economical than other modes of transportation. The type of service, frequency, and points served by rail carriers are specified by the Postal Service and set by contract.

542 Types of Service

542.1 Trailer and Container-on-Flatcar Service

542.11 Railroad Responsibilities

All major railroads provide trailer-on-flatcar (TOFC) service and container-on-flatcar (COFC) service between points on their respective systems. They also provide interline with other railroads for trailers destined to points beyond their system. Rail transportation services are almost universally provided as door-to-door service. The Postal Service is responsible for providing only a small percentage of the transportation to the origin ramp and from the destination ramp. The Postal Service, when appropriate, will accomplish the pickup or delivery by postal vehicle service or highway contract service. Otherwise, the railroads are responsible for providing inbound and outbound drayage as well as maintaining a pool of trailers at selected sites. This mail service is authorized by contract arranged by solicitation (request for proposals).

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF THE UNITED PARCEL SERVICE (REDIRECTED FROM WITNESS BRADLEY, USPS-T-18)

UPS/USPS-T18-4. Refer to witness Meehan's Workpapers B, Library Reference USPS-LR-I-80, tab Inputs-Costs, lines 55, 56, 59, 61, 63, 64, 68.69, 71, and 72. Based on the costs reflected in those workpapers, the proportions of costs of Highway Emergency (EM) and Exceptional (EX) contracts to the master accounts are as follows:

Intra-SCF: EM = 8.07%, EX = 6.14%, EM+EX = 14.22%
Inter-SCF: EM = 19.26%, EX = 5.89%, EM+EX = 25.15%
Intra-BMC: EM = 1.12%, EX = 13.99%, EM+EX = 15.11%
Inter-BMC: EM = 1.09%, EX = 7.80%, EM+EX = 8.88%

(a) Why does the percentage of highway transportation costs attributable to Emergency contracts vary across contract types (Inter-BMC, Intra-BMC, Inter-SCF, and Intra-SCF)?

(b) Why does the percentage of highway transportation costs attributable to Exceptional contracts vary across contract types (Inter-BMC, Intra-BMC, Inter-SCF, and Intra-SCF)?

RESPONSE

(a) Although the Postal Service has not conducted a formal review of each emergency procurement, postal transportation Purchasing indicates that the need for emergency service tends to be greater for intra-SCF contracting, since the contractors are smaller operators. A failure on the part of a large contractor can often be absorbed with that contractor's resources. For small contractors, resources are more limited resulting in greater need for emergency procurements. The large inter-SCF percentage is due to the increased reliance of emergency contracting for inter-Area service. Reasons for this may include: diversions of mail from air to surface, opening of the new Southeast HASP facility, and increased emphasis on two- and three-day First-Class mail service. Freight rail can be used as a substitute for inter-BMC service in some instances reducing the need for emergency contracts in some cases.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF THE UNITED PARCEL SERVICE (REDIRECTED FROM WITNESS BRADLEY, USPS-T-18)

(b) Exceptional service is used to fill day-to-day deviations from scheduled service. There is a greater need for this type of service within service areas. Factors described in part a above contributed to uncertainties that resulted in the need for extra trips under exceptional service. Also, with regard to inter-BMC service, freight rail may provide an alternative to additional highway service in some cases. With regard to intra-SCF service, Postal Vehicle Service may be available to fill the breach during contract service failures.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF UNITED PARCEL SERVICE
(REDIRECTED FROM WITNESS KAY)

UPS/USPS-T23-2.

(a) Explain the process by which advertising costs for BY 1998 were determined to be product-specific or non-product-specific, and the extent to which you verified that determination.

(b) Who made the determination of whether particular advertising costs were product-specific or not?

(c) What criteria were used to make that determination?

(d) From whom did you receive the information you present on product-specific and non-product specific advertising costs?

RESPONSE:

(a-d) Two separate processes were used to obtain the BY 1998 advertising expenses allocated to products and product groups for use by witness Kay in her incremental cost analysis. (Witness Kay played no role in their development, and treated them as exogenous inputs to her analysis.) With respect to International mail, postal costing personnel examined International advertising, using accounting information reported under the International Business Unit's finance number, and working directly with knowledgeable personnel from the relevant advertising agencies. The results of that examination were used in the FY 1998 ICRA, and again for the Base Year.

With respect to all other advertising expenses, the Postal Service's advertising staff developed the advertising expense allocations, based on a breakout of expenses by products and channels. (Although the Postal Service's costing staff consulted in this process, suggesting the types of criteria discussed below, they did not participate directly.) As necessary, product managers and channel managers provided further

breakouts. For example, for Special Services, the product manager estimated that 80 percent of his advertising expenditures related to Money Orders, 10 percent to Post Office Boxes, and the rest to other special services. With respect to the expenses allocated to the Expedited group of products, these were further broken down by personnel at the advertising agency based on an analysis of the relative shares of 1998 Media and Production expenses among the three Expedited products (Express Mail, Priority Mail, and Parcel Post). In other words, product shares were obtained from an analysis of a subset of the costs (Media and Production expenses), and those shares were then applied to total Expedited expenses.

The criteria applied in this allocation process were necessarily judgmental. The individuals involved were requested to allocate advertising expenses based on the decisions they had made in managing their functions. Thus, the amount of advertising costs spent directly on one product or product group would definitely need to be considered when determining the share allocated to that product or product group (in situations in which those expenses appeared in a shared pool, rather than a line item already directly linked to the product or product group). The extent to which a product (or product group) was featured in advertising directed to more than one product (or product group) would be another factor to consider. In particular, when addressing cost associated with those types of multiproduct advertising, consideration was given to the extent, if any, to which the existence of a specific product or product group "caused" (i.e., was the reason why the Postal Service engaged in) that type of advertising. It was also acknowledged that, in some circumstances, it is neither possible nor necessary to attempt to allocate all adverting expenses back to specific products or product groups. This is particularly true of those expenses which are directed at supporting the Postal

Service as an institution (e.g., so-called "corporate brand" advertising), or where advertising is targeted so broadly that it is impossible to identify the existence of any particular product, product group. or set of products as the reason why the advertising expenses were incurred. Based on these criteria, and trying to be as reasonable and balanced as possible, the necessary breakouts were estimated.

The results of this analysis are summarized as revised pages 5 and 5A of USPS-LR-I-150, which provide the advertising cost inputs used by witness Kay in her incremental cost testimony.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY OR UNITED PARCEL SERVICE REDIRECTED FROM WITNESS ROBINSON

UPS/USPS-T34-3. Please refer to pages 12 through 15 of your testimony, where you discuss the contract between Emery Worldwide Airlines ("Emery") and the Postal Service pursuant to which Emery provides mail processing, surface transportation, and air transportation for Priority Mail. Refer also to page 2 of Attachment A, an analysts report discussing the Postal Service's contract with Emery for Priority Mail services, which indicates that beginning in the third quarter of 1999 Emery "began being paid a provisional rate for its services." Attachment A, CNF Transportation Reports Third Consecutive Year of Record Earnings; Net Income Up 39 Percent in 1999, at 2 (visited Feb. I, 2000) <http://www.businesswire.com/webbox/bw.013100/200310630.htm>.

(a) What is the amount of the "provisional rate" the Postal Service is now paying Emery?

(b) How does the provisional rate compare to the rate or rates paid in Fiscal Year 1998?

(c) Is the provisional rate reflected in the Postal Service's Test Year estimate of Priority Mail costs?

(d) To what extent does the Postal Service's estimate of Test Year 2001 costs for the Emery contract reflect any change or changes in rate under the contract from Fiscal Year 1998 to the rate expected to be paid in the test year?

RESPONSE:

(a-c): Contrary to the question's premise, the Postal Service is not now paying Emery, and did not begin to pay Emery in the third quarter of 1999, a "provisional" rate or rates for Emery's contractual network operation services for Priority Mail (which include the mail processing and surface and air transportation services to which the interrogatory refers). The Postal Service is instead paying Emery the amounts due under the Postal Service's contract with Emery for its services.

Since these PMPC contract rates for Emery's various network operation services diminish over the life of the contract, and the USPS is paying Emery in accordance with the applicable contract rates, the rates the Postal Service is now paying in the present fiscal year (2000) are lower than those the Postal Service was obligated to pay, and did pay, in Fiscal Year 1998. The actual contract rates, which have been paid, are being

**RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORY OR UNITED PARCEL SERVICE
REDIRECTED FROM WITNESS ROBINSON**

paid, or are required to be paid in the subsequent years of the contract, have been taken into account in the Postal Service's Test Year estimate of Priority Mail costs.

(d) Rate reductions built into the contract at its inception, between Fiscal Year 1998 and the Test Year, were fully taken into account.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF UPS (REDIRECTED FROM WITNESS ROBINSON)

UPS/USPS-T34-6. Refer to the attachment (labeled Attachment to UPS/USPS-T34-6), which refers to the Postal Service's joint advertising campaign with Amazon.com and in which Postmaster General Henderson is quoted as stating that "The cost of the effort is 'several million dollars ...."

(a) Identify the cost segment in which the costs of this campaign are included.

(b) Are all of the Postal Service's costs incurred in this campaign attributed to Priority Mail? If not, state (i) how those costs are attributed or assigned among the various classes of mail, and (ii) how much is attributed or assigned to Priority Mail for each fiscal year in which the program is in effect.

(c) Provide the total costs to the Postal Service of this campaign, by fiscal year.

RESPONSE:

(a) The costs will be included in the Advertising portion of Cost Segment 16.

(b) Because these costs relate to FY 2000, and FY 2000 is still ongoing, it has not been necessary yet to determine how these costs will be allocated. It is reasonable, however, to expect that these costs will directly or indirectly be allocated to Priority Mail.

(c) The Postal Service has objected that this type of detailed advertising cost information is proprietary, and because it relates to FY 2000, is not relevant to this proceeding.

Yahoo! News

Tech Headlines

Tuesday September 28 12:36 PM ET

NETWORK SOLUTIONS
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Amazon.com, P.O. Share Ad Campaign

WASHINGTON (AP) - The giant internet bookseller Amazon.com and the Postal Service are launching a joint advertising campaign.

The goal ``is to position Amazon.com as the ultimate gift-giving destination and the U.S. Postal Service and Priority Mail as the preferred shipper of leading e-commerce companies,'' explained postal spokeswoman Judy deTorok.

Postmaster General William Henderson said the project was initiated during a meeting of the postal governing board in Seattle, when officials visited Amazon.com's headquarters to discuss common interests.

The cost of the effort is ``several million dollars,'' a small part of the overall postal advertising budget, Henderson noted.

He said several other companies have approached the post office about similar projects and those discussions are in the early stages.

The campaign, announced today at a national postal convention in Chicago, is the latest of several cooperative efforts launched by the post office and major mail-order firms. Others include Eddie Bauer, Nordstrom and L.L. Bean.

While some television ads have already appeared, the Postal-Amazon.com campaign is scheduled to expand in mid-October, postal officials said.

They said the two sides share the costs of the ads and the cooperative effort will provide increased efficiency in advertising spending.

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RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF UNITED PARCEL SERVICE
(REDIRECTED FROM WITNESS ROBINSON)

UPS/USPS-T34-18. Using ODIS data, provide separately the portion of FY1999 Priority Mail volume sent within:

(a) a one-day service area that arrived:
  (i) in one day;
  (ii) in more than one day;

(b) a two-day service area that arrived:
  (i) in two days;
  (ii) in less than two days;
  (iii) in more than two days; and

(c) a three-day service area that arrived:
  (i) in three days;
  (ii) in less than three days;
  (iii) in more than three days.

RESPONSE:

(a)

(i) 85 percent

(ii) 15 percent.

(b)

(i) 74 percent

(ii) 11 percent.

(iii) 26 percent.

(c)

(i) 76 percent

(ii) 45 percent

(iii) 24 percent.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF UNITED PARCEL SERVICE
(REDIRECTED FROM WITNESS ROBINSON)

UPS/USPS-T34-19. Using PETE data, provide separately the portion of FY1999 Priority Mail volume sent within:

(a) a one-day service area that was actually delivered:
  (i) in one day;
  (ii) in more than one day;

(b) a two-day service area that was actually delivered:
  (i) in two days;
  (ii) in less than two days;
  (iii) in more than two days; and

(c) a three-day service area that was actually delivered:
  (i) in three days;
  (ii) in less than three days;
  (iii) in more than three days.

RESPONSE:

(a)

(i) 90.4 percent.

(ii) 9.6 percent.

(b)

(i) 79.3 percent

(ii) 16.5 percent

(iii) 20.7 percent

(c) (i) - (iii) PETE does not measure service performance within the three day service standard area.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF UNITED PARCEL SERVICE
(REDIRECTED FROM WITNESS ROBINSON)

UPS/USPS-T34-20. Using EXFC data, provide the portion of FY1999 First-Class Mail volume sent within:

(a) a one-day service area that was actually delivered:
  (i) in one day;
  (ii) in more than one day;

(b) a two-day service area that was actually delivered:
  (i) in two days;
  (ii) in less than two days;
  (iii) in more than two days; and

(c) a three-day service area that was actually delivered:
  (i) in three days;
  (ii) in less than three days;
  (iii) in more than three days.

RESPONSE:

(a)

(i) 93.3 percent

(ii) 6.7 percent.

(b)

(i) 86.5 percent

(ii) 19.6 percent

(iii) 13.5 percent

(c)

(i) 85.6 percent

(ii) 32.9 percent

(iii) 14.4 percent

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF UNITED PARCEL SERVICE
(REDIRECTED FROM WITNESS ROBINSON)

UPS/USPS-T34-21. Provide separately the average length of haul for First-Class Mail within the following service areas:

(a) one-day;
(b) two-days;
(c) three days

RESPONSE:

(a) - (c) Average length of haul for First-Class Mail by service area has not been computed.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF UNITED PARCEL SERVICE
(REDIRECTED FROM WITNESS ROBINSON)

UPS/USPS-T34-22. Provide the average length of haul for Priority Mail within the following service areas:

(a) one-day;
(b) two-days;
(c) three days.

RESPONSE:

(a) - (c) Average length of haul for Priority Mail by service area has not been computed.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF UNITED PARCEL SERVICE
(REDIRECTED FROM WITNESS ROBINSON)

UPS/USPS-T34-26. Describe and quantify all improvements in Priority Mail service performance since FY1996.

RESPONSE:

See attachment for ODIS data for FY 1996 and FY 1997.

See LR-USPS-I-170, Table 7 for ODIS data for FY 1998 and FY 1999.

See the table below for data from the Priority-End-To-End (PETE) service performance measurement system. Note: The PETE System was implemented in FY 1997 AP 5.

Priority End-To-End (PETE)

FY	PQ	% On Time Overnight Commitment	% On Time 2-Day Commitment
1997	2	85.99 %	70.75 %
	3	88.22 %	77.11 %
	4	85.99 %	71.69 %
1998	1	84.85 %	69.50 %
	2	82.73 %	60.77 %
	3	88.16 %	75.86 %
	4	91.26 %	82.88 %
1999	1	90.73 %	82.53 %
	2	88.15 %	67.21 %
	3	90.69 %	80.00 %
	4	91.37 %	84.62 %

REPORT HSA382P1

ODIS QUARTERLY STATISTICS REPORT

POSTAL QUARTER 1, PFY 1996

TABLE 4 - AVERAGE DAYS TO DELIVERY AND PERCENTAGE OF MAIL DELIVERED WITHIN SPECIFIED NUMBER OF DAYS BY CLASS AND TYPE OF MAIL

CLASS AND TYPE	ESTIMATED DAILY VOLUME (000)	PERCENTAGE DELIVERED WITHIN 1 DAY	2 DAYS	3 DAYS	4 DAYS	AVERAGE DAYS TO DELIVERY
ALL FIRST CLASS	320,468	49.7	80.5	94.5	97.9	1.79
LETTERS	283,356	50.4	81.2	94.9	98.1	1.76
POSTCARDS	17,911	54.6	78.7	91.8	96.1	1.83
IPPS	1,698	34.0	67.8	88.8	95.5	2.19
FLATS	17,502	37.2	71.9	90.3	95.8	2.09
PRIORITY MAIL	2,955	30.1	82.5	94.1	97.6	1.98
ALL FOURTH CLASS	3,181	16.7	39.5	56.1	70.0	3.89
PARCEL POST	1,007	19.7	44.1	62.1	75.9	3.54
OTHER 4TH CL	2,174	14.2	35.8	51.1	65.2	4.17

EXCLUDES MAIL OF FOREIGN ORIGIN.

THIS DELIVERY INFORMATION DOES NOT REFLECT SERVICE STANDARD ACHIEVEMENT.

HSA382P1I

REPORT HSA382P1

ODIS QUARTERLY STATISTICS REPORT

POSTAL QUARTER 2, PFY 1996

TABLE 4 - AVERAGE DAYS TO DELIVERY AND PERCENTAGE OF MAIL DELIVERED WITHIN SPECIFIED NUMBER OF DAYS BY CLASS AND TYPE OF MAIL

CLASS AND TYPE	ESTIMATED DAILY VOLUME (000)	PERCENTAGE DELIVERED WITHIN 1 DAY	2 DAYS	3 DAYS	4 DAYS	AVERAGE DAYS TO DELIVERY
ALL FIRST CLASS	349,630	47.6	76.0	90.8	95.6	1.94
LETTERS	313,252	48.2	76.6	91.1	95.8	1.92
POSTCARDS	17,009	53.1	74.0	88.2	93.8	1.99
IPPS	1,786	31.0	62.1	84.2	92.2	2.40
FLATS	17,583	36.2	67.9	87.1	93.7	2.22
PRIORITY MAIL	3,360	24.3	70.7	87.9	94.2	2.30
ALL FOURTH CLASS	3,141	16.5	37.6	54.9	68.6	3.93
PARCEL POST	996	18.7	42.4	60.5	74.6	3.53
OTHER 4TH CL	2,145	14.2	33.0	49.3	62.7	4.33

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UPS/USPS-T34-26
page 2 of 8

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REPORT HSA382P1

ODIS QUARTERLY STATISTICS REPORT

POSTAL QUARTER 3, PFY 1996

TABLE 4 - AVERAGE DAYS TO DELIVERY AND PERCENTAGE OF MAIL DELIVERED WITHIN SPECIFIED NUMBER OF DAYS BY CLASS AND TYPE OF MAIL

CLASS AND TYPE	ESTIMATED DAILY VOLUME (000)	PERCENTAGE DELIVERED WITHIN 1 DAY	2 DAYS	3 DAYS	4 DAYS	AVERAGE DAYS TO DELIVERY
ALL FIRST CLASS	334,206	49.1	79.8	94.4	97.9	1.80
LETTERS	295,135	50.0	80.6	94.9	98.1	1.78
POSTCARDS	16,998	54.5	77.3	91.8	96.3	1.85
IPPS	1,579	32.3	66.9	88.7	95.3	2.22
FLATS	20,494	35.4	70.5	90.1	96.3	2.11
PRIORITY MAIL	3,502	28.2	81.3	93.8	97.5	2.02
ALL FOURTH CLASS	2,919	17.0	39.3	56.5	70.2	3.82
PARCEL POST	916	19.5	45.8	64.3	78.0	3.37
OTHER 4TH CL	2,003	15.2	34.8	50.9	64.7	4.14

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REPORT HSA382P1

ODIS QUARTERLY STATISTICS REPORT

POSTAL QUARTER 4, PFY 1996

TABLE 4 - AVERAGE DAYS TO DELIVERY AND PERCENTAGE OF MAIL DELIVERED WITHIN SPECIFIED NUMBER OF DAYS BY CLASS AND TYPE OF MAIL

CLASS AND TYPE	ESTIMATED DAILY VOLUME (000)	PERCENTAGE DELIVERED WITHIN 1 DAY	2 DAYS	3 DAYS	4 DAYS	AVERAGE DAYS TO DELIVERY
ALL FIRST CLASS	313,655	49.7	79.8	94.2	97.8	1.80
LETTERS	276,802	50.3	80.5	94.5	97.9	1.78
POSTCARDS	16,760	54.8	77.0	91.1	95.9	1.86
IPPS	1,596	31.8	64.7	88.2	95.4	2.26
FLATS	18,497	38.9	73.4	91.8	96.6	2.03
PRIORITY MAIL	3,233	30.3	83.6	94.8	97.7	1.96
ALL FOURTH CLASS	2,893	17.7	39.1	54.9	68.6	3.88
PARCEL POST	901	20.3	45.1	61.7	74.8	3.50
OTHER 4TH CL	1,992	15.8	34.6	49.7	64.0	4.16

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REPORT HSA382P1

ODIS QUARTERLY STATISTICS REPORT

POSTAL QUARTER 1, PFY 1997

TABLE 4 - AVERAGE DAYS TO DELIVERY AND PERCENTAGE OF MAIL DELIVERED WITHIN SPECIFIED NUMBER OF DAYS BY CLASS AND TYPE OF MAIL

CLASS AND TYPE	ESTIMATED DAILY VOLUME (000)	PERCENTAGE DELIVERED WITHIN 1 DAY	2 DAYS	3 DAYS	4 DAYS	AVERAGE DAYS TO DELIVERY
ALL FIRST CLASS	329,144	47.7	77.4	93.2	97.4	1.87
LETTERS	289,236	48.2	78.2	93.7	97.6	1.84
POSTCARDS	18,700	57.3	77.2	90.5	95.3	1.86
IPPS	1,752	30.5	61.7	86.1	94.6	2.34
FLATS	19,456	36.5	67.5	87.9	95.1	2.18
PRIORITY MAIL	3,503	27.8	80.0	93.4	97.3	2.04
ALL STANDARD A	3,389	15.0	33.0	47.3	60.9	4.47
STANDARD B	1,351	17.0	36.8	51.5	66.0	4.07
OTHER STND B	2,038	13.4	29.7	43.8	56.6	4.80

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REPORT HSA382P1

ODIS QUARTERLY STATISTICS REPORT

POSTAL QUARTER 2, PFY 1997

TABLE 4 - AVERAGE DAYS TO DELIVERY AND PERCENTAGE OF MAIL DELIVERED WITHIN SPECIFIED NUMBER OF DAYS BY CLASS AND TYPE OF MAIL

CLASS AND TYPE	ESTIMATED DAILY VOLUME (000)	PERCENTAGE DELIVERED WITHIN 1 DAY	2 DAYS	3 DAYS	4 DAYS	AVERAGE DAYS TO DELIVERY
ALL FIRST CLASS	358,306	46.7	74.3	89.9	95.6	1.98
LETTERS	319,794	47.2	74.9	90.4	95.8	1.96
POSTCARDS	17,355	54.2	74.6	87.8	93.9	1.98
IPPS	1,754	32.6	60.5	82.7	91.7	2.42
FLATS	19,403	36.8	65.4	84.4	92.8	2.28
PRIORITY MAIL	3,904	24.5	68.8	86.4	93.7	2.34
ALL STANDARD A	3,638	15.7	34.9	49.6	63.5	4.30
STANDARD B	1,449	17.1	38.4	54.1	68.4	3.92
OTHER STND B	2,189	14.1	31.3	44.9	58.3	4.70

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EPORT HSA382P1

ODIS QUARTERLY STATISTICS REPORT

POSTAL QUARTER 3, PFY 1997

TABLE 4 - AVERAGE DAYS TO DELIVERY AND PERCENTAGE OF MAIL DELIVERED WITHIN SPECIFIED NUMBER OF DAYS BY CLASS AND TYPE OF MAIL

CLASS AND TYPE	ESTIMATED DAILY VOLUME (000)	PERCENTAGE DELIVERED WITHIN 1 DAY	2 DAYS	3 DAYS	4 DAYS	AVERAGE DAYS TO DELIVERY
ALL FIRST CLASS	317,954	47.3	77.6	93.3	97.4	1.87
LETTERS	280,718	47.8	78.5	93.9	97.7	1.84
POSTCARDS	17,071	56.7	77.3	90.5	95.5	1.87
IPPS	1,731	30.8	64.2	86.9	94.5	2.30
FLATS	18,434	35.7	65.7	85.9	93.8	2.25
PRIORITY MAIL	3,644	27.5	79.1	93.0	97.1	2.07
ALL STANDARD A	3,158	16.3	36.7	52.4	65.6	4.19
STANDARD B	1,103	18.4	41.9	58.6	72.0	3.78
OTHER STND B	2,055	14.8	33.0	48.1	61.1	4.48

EXCLUDES MAIL OF FOREIGN ORIGIN.

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REPORT HSA382P1

ODIS QUARTERLY STATISTICS REPORT

POSTAL QUARTER 4, PFY 1997

TABLE 4 - AVERAGE DAYS TO DELIVERY AND PERCENTAGE OF MAIL DELIVERED WITHIN SPECIFIED NUMBER OF DAYS BY CLASS AND TYPE OF MAIL

CLASS AND TYPE	ESTIMATED DAILY VOLUME (000)	PERCENTAGE DELIVERED WITHIN 1 DAY	2 DAYS	3 DAYS	4 DAYS	AVERAGE DAYS TO DELIVERY
ALL FIRST CLASS	314,074	47.7	78.0	93.4	97.3	1.86
LETTERS	277,221	48.2	78.8	93.9	97.6	1.84
POSTCARDS	17,819	54.7	76.1	89.6	95.2	1.90
IPPS	1,690	32.7	63.6	85.5	93.3	2.35
FLATS	17,343	37.6	68.2	88.1	94.9	2.17
PRIORITY MAIL	3,799	27.2	75.7	90.7	95.5	2.16
ALL STANDARD A	3,409	15.2	34.7	49.5	62.0	4.52
STANDARD B	1,172	15.2	34.9	49.8	62.5	4.56
OTHER STND B	2,238	15.1	34.5	49.1	61.5	4.48

EXCLUDES MAIL OF FOREIGN ORIGIN.

THIS DELIVERY INFORMATION DOES NOT REFLECT SERVICE STANDARD ACHIEVEMENT.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF UNITED PARCEL SERVICE
(REDIRECTED FROM WITNESS ROBINSON)

UPS/USPS-T34-27. Describe and quantify all improvements in First-Class Mail service performance since FY1996.

RESPONSE:

See attachment to UPS/USPS-T34-26 for ODIS data for FY 1996 and FY 1997.

See LR-USPS-I-170, Table 7 for ODIS data for FY 1998 and FY 1999.

See USPS-T-9, Table 7 at 9 for EXFC data for FY 1994 to FY 1999.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF UNITED PARCEL SERVICE
(REDIRECTED FROM WITNESS ROBINSON)

UPS/USPS-T34-29. For each quarter in BY1998 and FY1999, provide copies of the Service Performance Quarterly Reports or the equivalent for Priority Mail based on:

(a) the ODIS service performance measurement system

RESPONSE:

(a) See USPS-LR-I-170.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF UNITED PARCEL SERVICE
(REDIRECTED FROM WITNESS ROBINSON)

UPS/USPS-T34-33. Using Delivery Confirmation data, provide separately the portion of FY1999 Priority Mail volume sent within:

a. the one-day service area for Priority Mail that actually arrived:

(i) in one day;

(ii) in more than one day;

b. the two-day service area for Priority Mail that actually arrived:

(i) in two days;

(ii) in less than two days;

(iii) in more than two days; and

c. the three-day service area for Priority Mail that actually arrived:

(i) in three days;

(ii) in less than three days;

(iii) in more than three days.

RESPONSE:

The following service performance data is based on retail Delivery Confirmation transactions only for Quarter 4, FY 1999. Delivery Confirmation service was implemented on March 14, 1999; as a result service performance data for earlier periods is not available.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF UNITED PARCEL SERVICE
(REDIRECTED FROM WITNESS ROBINSON)

a.

(i) 89.9%

(ii) 10.1%

b. Service performance for the two-day service standard area is not computed using Delivery Confirmation data. The following answer is for combined overnight in two days and two-day service standard area delivered within two-days.

(i) 83.4%

(ii) This data is not available.

(iii) 16.6%

c.

(i) 83.1%

(ii) This data is not available.

(iii) 16.9%

RESPONSE OF UNITED STATES POSTAL SERVICE
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 6 QUESTION 9

9. The Postal Service's response to DFC/USPS-49 includes an attachment describing the PETE system stating that it is modeled closely after EXFC. According to the attachment, data is collected for 85 performance clusters. For each quarter of FY1998 and 1999, to what extent was First Class Mail delivered as fast or faster than Priority Mail for any of the 85 clusters? Explain in detail how you arrived at the analysis.

RESPONSE:

Comparison of EXFC and PETE Overnight Service Performance

EXFC is an external measurement system of collection box to mailbox delivery performance. Currently EXFC continuously tests a panel of 465 ZIP Code areas selected on the basis of geography and volume density from which 90% of First-Class volume originates and 80% destinates. Through FY 1999 PQ 2, EXFC tested a panel of 303 ZIP Code areas. EXFC is not a system-wide measurement of all First-Class Mail performance.

PETE is an external measurement system of collection point to mailbox delivery performance. PETE continuously tests a panel of 301 ZIP Code areas selected on the basis of geography and volume density from which 71% of Priority Mail volume originates and 67% destinates. PETE is not a system-wide measurement of all Priority Mail performance.

The EXFC and PETE 3-digit ZIP Code area test domains are not the same. The EXFC test area was expanded beginning FY 1999 PQ 3. The following table compares the test domains.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 6 QUESTION 9

	FY 1998 - FY 1999 PQ 2	FY 1999 PQ 3 / 4
Total EXFC ZIP Code Areas	302	465
Total PETE ZIP Code Areas	301	301
EXFC ZIPs not in PETE	65	184
PETE ZIPs not in EXFC	63	20
Common PETE / EXFC ZIPs	238	281

Prior to FY 1999 PQ 3, the common test domain covered about 62% of the originating and 56% of the destinating identified Priority volume. After EXFC expansion, the common test domain covers about 69% of the originating and 63% of the destinating Priority volume.

The following table shows the compares destination cluster performance in EXFC and PETE for overnight committed Priority Mail. Only the common service area between EXFC and PETE are included in these data. There are 85 performance clusters. However, the Alaska performance cluster has no overnight service area.

	Common ZIP Codes	Clusters better in EXFC	Clusters better in PETE
FY 1998 PQ 1	238	78	6
FY 1998 PQ 2	238	79	5
FY 1998 PQ 3	238	75	9
FY 1998 PQ 4	238	44	40
FY 1999 PQ 1	238	59	25
FY 1999 PQ 2	238	76	8
FY 1999 PQ 3	281	67	17
FY 1999 PQ 4	281	66	18

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 9

3. The FY 1999 Billing Determinants reflect two different sets of rates: (1) the pre-Docket No. R97-1 and (2) the Docket No. R97-1 rates. Please provide the FY 1999 Billing Determinants separated between those two periods.

RESPONSE:

Some of the FY 1999 Billing Determinants provided in USPS-LR-I-259 already include data separated as requested (e.g., Express Mail and Parcel Post). Others reflecting that separation will be provided as supplements to library reference LR-I-259. Notices will be provided to that effect. (As usual, the billing determinants for Special Services may present particular challenges in this regard.)

RESPONSE OF UNITED STATES POSTAL SERVICE TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 9

6. The 1999 Annual Report of Investigations of the United States Postal Inspection Service cites 'improper conversion rate applications (the factors used to ascertain mail volume)' as one of five areas requiring continued postal management attention. The citation is based on the results of a summary of 16 reports issued by the Service on March 30, 1999. Please provide copies of this summary report and all individual reports that involve the conversion rate issue.

RESPONSE:

Eleven of the Observations of Mail Conditions (OMC) Reports prepared by the Inspection Service, as well as a summary report and a supplement to the summary report, address the conversion rate application issue. Copies of those portions of the reports dealing with this issue, with customer, contractor, and facility names redacted, are provided in USPS LR-I-324.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 9

7. In R97-1, the Service provided to (sic) Inspection Service reports regarding the Management Operating Data System (MODS). The reports are:

National Coordination Audit: Mail Volume Measurement and Reporting Systems, United States Postal Inspection Service, December 1996, LR-H-220.

National Coordination Audit: Allied Work Hours, United States Postal Inspection Service, December 1996, LR-H-236.

Please provide copies of any follow-up reports to these two reports, or other subsequent audit reports involving regarding the Management Operating Data System (MODS).

RESPONSE:

A follow-up report to LR-H-236 (Allied Workhours) will be filed as LR-I-321.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 9

8. Witness O'Tormey states that in "December 1999, a national Standard Operating Procedure (SOP) for Periodicals processing was delivered to the field for implementation." USPS-ST-42 at 19. Please provide a copy of the SOP.

RESPONSE:

Copies of the SOP, as well as a relevant subsequent addendum to the SOP, are attached.

NICHOLAS F. BARRANCA
VICE PRESIDENT, OPERATIONS PLANNING

UNITED STATES
POSTAL SERVICE

January 19, 2000

MANAGERS, OPERATIONS SUPPORT (AREA)

SUBJECT: National Periodicals Processing Standard Operating Procedures (SOP)

By now, you and your staff have had the opportunity to review the draft of a national Periodicals Processing Standard Operating Procedure (SOP) and forward your comments. All of your concerns were reviewed; changes were made. Now it is time for field implementation.

Attached is the national SOP for processing Periodicals, the next step in the effort to intensify our service improvement plans. Improved placarding, proper Area Distribution Center (ADC) make-up, and no commingling with other mail classes are some of the fundamental components emphasized in this SOP. The document also points out area responsibilities for monitoring the compliance and efficiency of transportation routings, operating plans, and distribution hubs.

While not specifically defined in the SOP, it is important that areas continue to track plant conditions and determine the cause of any major delays, then surface systemic issues to headquarters. Processing Operations will continue to facilitate the resolution of system problems and will work with you to meet our customers' expectations.

Please forward this SOP to your field units for immediate implementation. Your cooperation throughout this endeavor is appreciated. If you have questions or concerns, please contact Joe DiPietropolo in Processing Operations at (202) 268-4448.

Nicholas F. Barranca

Attachment

cc: Mr. Black
Mr. Rapp
Mr. Moden
Mr. O'Tormey
Mr. Pajunas
Mr. Spates

475 L'ENFANT PLAZA SW, ROOM 7021
WASHINGTON DC 20260-7000
202-268-5766
FAX: 202-268-2577

STANDARD OPERATING PROCEDURES (SOP) FOR PERIODICALS PROCESSING

INTRODUCTION

Purpose

This document establishes some minimum requirements and procedures for the processing of Periodicals that will strengthen our corporate service improvement effort for this important class of mail. These operating procedures will support our corporate goal of providing our customers with a competitively priced product that provides reliable and consistent service.

Scope

The Postal Service, in association with the Mailers' Technical Advisory Committee (MTAC), has spent the last few years reviewing all aspects of the acceptance, processing, and transportation of Periodicals. Their findings included the identification of many problem areas. Some of the problems were systemic in nature and required headquarters' intervention. Other problems could be easily improved through local initiatives. These guidelines are the first step in a series of actions that will be incorporated in the procedures for the handling of Periodicals. In addition, these guidelines and procedures are being developed to establish a more service responsive distribution network for Periodicals. This document will specifically relate to:

1. Minimum requirements for the processing and distribution of Periodicals within the Processing and Distribution Centers/Facilities (P&DCs/Fs).
2. No commingling of Periodicals with other classes of mail.
3. Labeling requirements for minor containers (e.g. sacks, trays, tubs).
4. Placarding requirements for major containers (e.g. pallets, APCs, BMCs, hampers, wiretainers, postal paks, gaylords).
5. Suggested performance targets and service indicators.
6. Training of supervisory and craft employees.

Background

Previous endeavors on improving Periodicals' processes revealed some universal systemic problems. To address these problems, John Rapp, Vice President, Field Operations Support, established a headquarters Periodicals Process Management Review Team to identify root causes of poor service and begin a process towards resolving them. To that end, the development of this SOP will assist managers in the field with standardizing the handling and identification of Periodicals.

PROCESS MANAGEMENT

Philosophy and Acceptance

The Postal Service corporately has integrated the process management philosophy at the national level and is encouraging field units to use the method in all aspects of our core business processes that relate to customer satisfaction. Process management is a proven data driven tool for problem solving. The drilling down and questioning "WHY" to identify fundamental problems is a practice that should be incorporated into our daily decision making processes. One important element of the process management is the support and acceptance of local management.

Process Management Teams

Headquarters has requested that every cluster establish a process management team for Periodicals. These teams should be the vehicle to establish (or review) a Periodicals' processing strategy and to implement, monitor, and adjust as conditions warrant. Any issues not solvable at the local level will be forwarded to the area Periodicals coordinator for review and action.

Processing Mailflow Map

A plant process map should be developed in order to identify the present mailflow and operations process indicators that can be used to flag problems in upstream operations. After validating these maps, appropriate changes should be made to maintain an efficient distribution network through the plant and the make-up of a product that is more service responsive to the downstream operations. The operations process indicators should be monitored to identify recurring issues or failures between internal operations of a plant.

These process maps could provide operational assistance and aid in the analysis for cost reductions, staffing requirements, and training.

PLANT OPERATIONS

Operating Plan

The facility operating plan is used to schedule or plan efficiently the processing and distribution of mail from receipt at the originating dock operation to the destinating dock dispatching operation. The plan provides an organized and standardized format to move mail from one processing operation to the next, taking into consideration the facility equipment, capacity, and transportation. *The operating plan treats all mail by class and service standard commitments.* The elements of the operating plan are as follows:

Mail Arrival Profile
Average Daily Volumes
Planned Start Time
Critical Entry Time
Clearance Time

The operating plan must treat Periodicals similar to First-Class Mail having a clearance time on day-zero to meet dispatches of value (DOVs) for outbound transportation at origin and DOVs to delivery units at destination. For the purpose of this document, day-zero refers to the day of the operating plan and is normally from 0700 to 0700 on day of receipt. The processing of Periodicals must be accomplished concurrently with First-Class Mail, but cannot be commingled with any other class of mail. The only exception is at the carrier route level.

Hub/Centralized Operations

This day-zero clearance time must also be considered when the origin facility performs no processing for originating Periodicals but acts as a transfer point to another plant or BMC which provides the outgoing processing and dispatching for a number of smaller facilities. All operating plans must reflect dock clearance time that will allow the Hub/centralized facility adequate time for processing and timely dispatch of all Periodicals. This clearance time must guarantee meeting all DOVs for outbound transportation.

Note: The Hub/centralized facility operating plan must be developed to be service responsive. The Hub/centralized facilities' critical entry time must reflect the smaller facilities volumes as its originating mail.

Recommended Entry Times and Local Agreements

While the operating plan is the official blueprint for processing mail, plants may enter local agreements. These may include recommended entry times that would prompt Periodical mailers to enter mail at optimum times when sufficient staffing and processing capacities exist. Mail entered under local agreements still must adhere to the operating plan clearance time (CT).

RESPONSIBILITIES

Area Distribution Networks (DN)

The area DN office will review all plant transportation requirements for each operating plan change request to ensure that the changes or revisions can be implemented with valid and adequate transportation. Effective with the issuance of this document, each area DN office must review all transportation and update all National Air and Surface System (NASS) products to ensure service responsive routings are provided to every plant with outbound Periodicals. The area DN office has the authority to designate where mixed (jackpotted) mail will be routed.

Manager of In-Plant Support

The Manager of In-Plant Support must ensure that the operating plan is updated, reflecting all changes in processing in an effort to improve service for Periodicals. These changes would include operations in annexes and/or Hub operations.

Transportation Manager

Local Transportation Managers will ensure that all routing for transportation carrying Periodical Mail is correct and service responsive. Transportation that is not according to NASS schedules should be updated. Placards should reflect NASS schedules and routings, showing each leg of transportation and/or transfers.

ACCEPTANCE PROCEDURES

All acceptance personnel should be trained in the acceptance of Periodical Mail, and at a minimum, receive the latest training, "Getting Closer to the Mailbox."

All Periodicals' mailings must be verified for proper makeup and accurate labeling. Acceptance personnel must ensure mailers use the most current labeling lists. Makeup and revenue documents must be verified for accuracy and completeness. If applicable, Coding Accuracy Support System (CASS) certification documents should be provided for compliance to the DMM. In an effort to improve service and customer satisfaction, BMEU personnel should provide feedback to the mailer and the owner of the mailing on all discrepancies found during the verification process. Upon completion of the verification, the BMEU can release direct containers for staging and/or dispatch. Acceptance personnel at plantload operations should keep the local P&DC/P&DF informed of volume and transportation information.

PLANT OPERATIONS for ORIGINATING PERIODICALS

P&DC Platform

Once an acceptance unit has released a Periodicals' mailing to mail processing, platform personnel must apply dispatch/routing placards, showing minimum requirements (see attached placard),. to mail transport equipment (MTE). The originating P&DC is required to process working or mixed volumes. Platform personnel must attach an in-house placard to these volumes *and route the Periodicals to the appropriate operation for distribution.* If the facility does not process working or mixed volumes, then the MTE should be placarded as working Periodicals and transferred to the HUB/centralized operations.

Additionally, Periodicals may arrive on Highway Contract Routes (HCRs) from smaller P&DCs or *P&DFs or Associate Offices or on Motor Vehicle Services (MVS)* from stations and branches with acceptance units. The next handling will be determined based on the information located on placarded containers or labels in sacks or trays. A facility that acts as a dock transfer and does not process originating Periodicals must still placard for transportation. *If this facility is required to process originating Periodicals, then placard for in-house processing and transport to proper primary breakdown unit. The origin office must not commingle Periodicals with other classes of mail.*

Sack or Tray Break-Up Operation—Originating (Sack Sorter/Manual Operation)

Originating trays or sacks must be sorted to Area Distribution Center (ADC) separations. Containerization and dispatching should be completed to the fullest extent possible by each origin plant. At a minimum, a P&DC must build containers for all overnight offices, any direct transportation, and whatever other destinations the volume warrants. The remaining lower volume ADCs may be jackpotted and transferred to a HUB, HASP, or BMC operation for break-up and transportation. ***This jackpot container should be made up only at the direction of the area office.*** Identify a direct container with a routing placard and dispatch; identify a mixed container with a placard indicating mixed Periodicals.

Mixed Sacks and Trays—Originating (SPBS/Rack Operation)

Dump mixed sacks and trays and distribute direct bundles or rolls to ADC separations (minimum requirement). Label ADC trays and/or sacks and transport to sack and tray break-up operation for dispatch. The origin office must not commingle Periodicals with other classes of mail. Separate mixed working bundles to downstream operations:

Machinable
- Flats
  - Flat Sorter Operation FSM 881/1000
- Letters
  - Automation

Non-Machinable
- Manual Operations Flats/Letters

NOTE: Polywrapped Flats should be considered machinable.

Open and distribute mixed working bundles to ADC separations (minimum requirement). Ensure correct labeling of *all ADC trays, tubs, and sacks;* then transport to sack and tray break-up operation for dispatch. Local residue separations should flow to downstream operations for distribution. Placard local residue for appropriate downstream operations showing day of delivery.

Note: Clearance times for all originating Periodicals received by a plants' critical entry time *should be on day zero.*

PLANT OPERATIONS for DESTINATING (INCOMING) PERIODICALS

P&DC Platform

Incoming Periodicals will be received at P&DC or P&DF platforms from mailers, from BMCs and from other P&DCs for distribution in the Zip Code area designated for their local delivery. Platform personnel should verify contents of arriving vehicles and enter vehicle information into TIMES.

All Periodicals transported by the mailer must have a PS Form 8125, *PVDS Verification and Clearance*. After checking the integrity of the mail load to be sure that it is safe to unload, platform personnel must compare the shipment with the form for class, number of containers, and processing category. If the 8125 is properly completed and the information on it matches the mail, the "Destination" section must be filled out. Note any load condition irregularities in the "Comment" section.

Give unloading preference to vehicles containing a periodicals' mailing. Periodicals can arrive palletized, sacked, bundled, or trayed and can be sorted by ADC, 3-digit SCF, and/or 5-digit direct. During the unloading procedures, platform personnel must read placards and labels to determine the proper destination for each particular container being unloaded. If the container is a direct 5-digit and requires no additional sortation, then it should be transported to the appropriate dispatch bay. If the container requires in-house processing, then transport it to the appropriate staging/processing operation. If the container is an ADC and/or 3-digit working container, then transport to the appropriate break-up area.

Machinable
- SPBS/Manual Break-up

Non-Machinable
- Manual Break-up

Note: Platform signage should indicate which zones will require additional distribution.

Break-up Operations

Based on the equipment at the P&DC/P&DF, most ADC and/or 3-digit working containers will be separated by machinable and non-machinable. Incoming Periodicals must not be commingled with other classes of mail in break-up operations.

Sacks and Bundles

Machinable (SPBS Operation)—Containerized machinable bundles and sacks should be dumped at the SPBS and distributed. Separations for 3-digit letters and flats and 5-digit letters and flats, not requiring additional in-house distribution, should be placarded and transported to the dispatch platform. For zones that require secondary distribution in-house, a separation should be made by zone, and by letters and flats. Each container should be identified for next handling with appropriate placards and transported to the appropriate downstream operation.

Non-machinable (Manual Break-up Operation)—Containerized non-machinable bundles and culls from the SPBS operation should be processed in the manual break-up area. Separations for 3-digit letters and flats and 5-digit letters and flats not requiring additional in-house distribution should be placarded and transported to the dispatch platform. For zones that require secondary distribution in-house a separation should be made by zone, and by letters or flats. Each container should be identified for next handling with appropriate placards and transported to the downstream operation. If the facility does not have an SPBS for the distribution of machinable Periodicals, then the manual break-up would be used for machinable mail also.

Letters – Incoming Periodicals should be separated by automated barcoded, automated non-barcoded, and manual.

Automated barcoded - Create a DBCS sort plan to maximize the finalization of non-automated zones. These zones should be trayed, labeled, and placarded for transport to the tray break-up operation for dispatch. All automated secondary directs should be trayed, labeled, and placarded for merging in with barcoded secondary DPS letter operations. All residued letters from the OCR run should be merged with this run on the DBCS. Commingling of Periodicals may be permitted at the DPS level.

Automated non-barcoded
Incoming Periodicals must not be commingled with other classes of mail in OCR operations. An OCR sort plan should be created to maximize the finalization of non-automated zones on the OCR. These zones should be trayed, labeled, and placarded for transport to the tray break-up operation for dispatch. All automated secondary directs should be trayed, labeled, and placarded for merging in with barcoded First-Class Mail secondary letters operations. All residued letters should be labeled for barcoded primary Periodicals letters operations.

Manual letters
Incoming Periodicals must not be commingled with other classes of mail in primary manual operations. Create a primary distribution case design that would maximize the finalization of non-secondary AOs and city zones. These zones should be trayed, labeled, and placarded for transport to a break-up operation for sortation and dispatch. In-house secondary zones should be trayed, labeled, and placarded for break-up operations to zones.

Manual secondary sortation of Periodicals can be merged with First Class Mail to the carrier route. Proper identification as "First-Class Mail" must occur when Periodicals are commingled at the carrier route level.

Flats-Incoming Periodicals

Automated Flats—(FSM 881 BCR/OCR). With today's technology we are able to operate the FSM 881 as an OCR and BCS in a mixed environment, which benefits the Periodicals network by enabling us to save handlings on preparation and expanding the run time for this class of mail. Incoming Periodicals must not be commingled with other classes of mail in primary operations. Create primary flat sort plans at the ADC/SCF/CITY level to maximize the finalization of non-automated secondary zones. These direct zones should be labeled, placarded and transported to break-up operations for dispatch. All in-house automated secondary zones should be labeled and sent to break-up operations for separation by zone and merging into secondary distribution. All in-house manual secondary zones should be labeled and separated by zone for manual secondary distribution. All non-reads from the automated primary should be labeled and placarded for distribution on FSM 881 keying. The FSM 1000 should accommodate Periodicals volume that was deemed oversized for the FSM 881 and any culls from the FSM 881. Any Periodicals processed on the FSM 1000 should be labeled and placarded in the same manner described above. In the future, the AFSM 100 will have the ability to support all FSM 881 volumes and a portion of the volumes designated today for the FSM 1000.

NOTE: Polywrapped Flats should be considered machinable.

Automated Secondary—(FSM 881 BCR/OCR). When volume permits, Periodicals will be kept pure and labeled and placarded appropriately. If volume or time is not warranted, commingling of Periodicals is permitted at the carrier route level with First Class Mail only. At no point in the distribution cycle should Periodical flats be worked with Standard Mail (A) flats.

Manual Secondary. When volume permits, Periodicals will be kept pure to ensure flexibility at the carrier unit; this volume will be labeled and placarded appropriately. If volume or time is not warranted commingling of Periodicals is permitted at the carrier route level with First Class Mail only. Proper identification of flats as "First-Class Mail" must occur when Periodicals are commingled at the carrier route level

LABELING

General Information

Labels have always played an important role in the USPS. They are to containers as addresses are to letters. In recent years, labels have evolved to become information rich. The readability of labels is growing ever more important in transporting our products within our plants and from coast to coast.

Label Sources

1. Mailer applied sack, tray, and pallet labels.
   Must be verified at origin office during acceptance for accuracy and readability.

2. Topeka Label Printing Center.
   Quality procedures must be put in place to verify readability.

3. Local USPS On-Demand Label Printer Systems (uses SPS via Passport System).
   Quality procedures must be put in place for Maintenance to perform readability tests as routine preventive maintenance.

Labeling Requirements

Mailer applied labels must follow the regulations in the DMM. Postal applied labels will be pink for Periodicals and follow the make-up requirements of the latest labeling list issued by Headquarters and disseminated by the area offices.

Labeling Procedures

All minor containers (e.g. sacks, trays, tubs) that will be dispatched out of the facility should be labeled with pink labels. These labels must follow DMM standards for label content. For example, on Line 2, "NEWS" would be printed for publications issued weekly or more frequently, while "PER" would be used for all other publications.

In-house minor containers should be labeled with pink labels showing the contents as Periodicals and the next handling destination. For TMS sites, these labels must be printed using On Demand Label Printers or ordered from Topeka to ensure accurate flows throughout the facility. Non-TMS sites can design labels locally.

PLACARDING

All major containers for dispatch out of the facility will be required to use the format as described in this documentation including the use of PINK paper. This new placard design allows the designating site to remove the bottom portion for comments or discrepancies and return to the originating site. This immediate feedback mechanism will facilitate a quicker response time in identifying and correcting deficiencies, both in content and routing. It also gives to the designating facility the option to notify the originating site by phone, mail, or email.

In-house major containers should be placarded at a minimum, with the contents and next handling designation, date, and clearance day. The color of the in-house placard must be hot pink (See attachment).

SERVICE STANDARDS

Service commitments for Periodicals are measured from point of entry to delivery to the customer based on the origin and destination 3-digit zip (SCF) codes. These commitments range from 1-7 days depending on the entry point. The most important factor for a processing employee to understand when handling Periodicals is that from receipt at the dock to dispatch from the dock, you must clear all Periodical volumes on Day Zero regardless of origin or destination. To say it another way, all Periodicals received by critical entry time must be dispatched on the next available transportation.

Note: Signage should be developed to communicate these service requirements.

Service Indicators

Today, the Daily Mail Condition Reporting System (MCRS) will serve as one of the indicators used to assess the performance of Periodicals processing. The specific indicator in the MCRS will be *Delayed Periodicals*, Line Number 7 Outgoing Periodicals and Line Number 19, *Incoming Periodicals*.

Entry Schedule for Periodicals (ESP) is a future enhancement that will provide a measurement indicator that considers arrival, unload, and delivery of Periodicals. This system is dependent on mailer seeding procedures.

A tracking system to monitor customer complaints will be activated. This will enable trends to be developed regarding our customers' perception of our handling of Periodicals.

TRAINING

Each district and P&DC/P&DF should ensure that every acceptance clerk has received the recently developed training for Periodicals. "Getting Closer to the Mailbox" is a four-hour training module focused on how to prepare Periodicals, both from a cost and processing standpoint.

Operations' training for Periodicals (course #51501) is available for delivery and mail processing employees. Two separate training packages were developed for managers/supervisors and craft employees. The one-hour video, "Delivering the Promise – On Time Delivery for Periodicals Mail", is divided into three segments which must be viewed by all operations employees.

Instructions on Use of Periodicals' Placards

The placard attached and depicted below illustrates an example of the EXTERNAL placard that will be used to dispatch Periodicals to destinating offices. EXTERNAL placards will use light pink paper and follow the format provided on the sample.

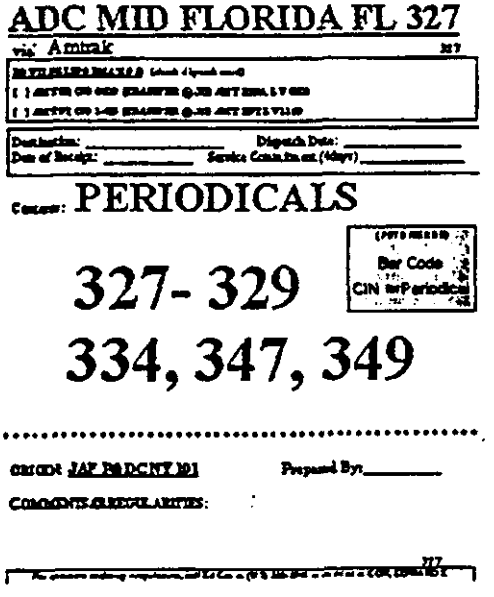
The origin office must

1. Print the Destinating ADC; contents of container; ZIP range.
2. Indicate the mode of transportation.
3. Complete all legs of Routing Information.
4. Record Dispatch Date and Service Commitment.
5. Include the name/phone number of a contact person to whom container irregularities can be reported.

The destinating office must

1. Record Date of Receipt and note date of service commitment
2. Provide feedback on irregularities by tearing off the bottom portion of the placard, showing Origin Office. Complete the name of person reporting the irregularity, the nature of irregularity.

Note: The small number 327 on the tear-off portion indicates to the Origin Office the ID of the destinating office if not indicated in the irregularities.



ADC MID FLORIDA FL 327

via: Amtrak 327

Destination: _____ Dispatch Date: _____

Date of Receipt: _____ Service Commitment (days): _____

Content: PERIODICALS

Bar Code CIN for Periodicals

327- 329

334, 347, 349

ORIGIN: JAX PROCNT 301 Prepared By: _____

COMMENTS/IRREGULARITIES:

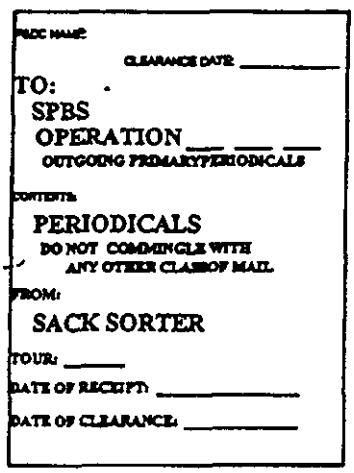
327

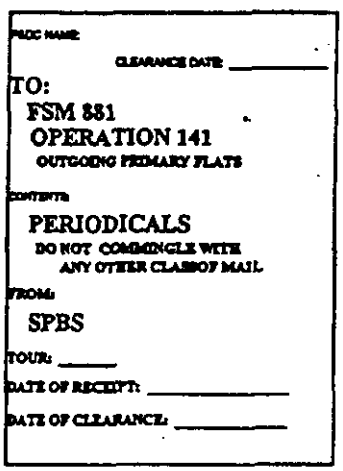
Instructions on Use of Periodicals' Placards

The placards attached and depicted below illustrate two examples of the INTERNAL placard that must be used to distribute Periodicals within the plant.

INTERNAL (or in-house) placards must be printed on hot pink paper to denote Periodicals and not to be misconstrued as the color code used for SATURDAY delivery.

EVERY container identified on the dock that will require distribution or break-up must be placarded with this type placard and transported to the appropriate operation.





Destination: Dispatch Date:

ADC MID FLORIDA FL 327

via: Amtrak 327

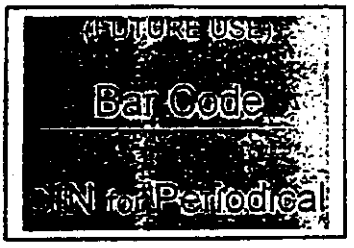
ROUTING INFORMATION: (check dispatch used)

[ ] AMT 89, C/O 0600 [TRANSFER @ 321] AMT H89A, LV 0300

[ ] AMT 97, C/O 1425 [TRANSFER @ 321] AMT H97, LV 1150

Date of Receipt: _____ Service Commitment: _____ days

Contents: **PERIODICALS**



327- 329

334, 347, 349

* * * \

P&DC NAME:

CLEARANCE DATE: _____

TO:

SPBS

OPERATION

OUTGOING PRIMARY PERIODICALS

CONTENTS:

PERIODICALS

DO NOT COMMINGLE WITH ANY OTHER CLASS OF MAIL

FROM:

SACK SORTER

TOUR: _____

DATE OF RECEIPT: _____

DATE OF CLEARANCE: _____

P&DC NAME:

CLEARANCE DATE: _____

TO:

FSM 881

OPERATION 141

OUTGOING PRIMARY FLATS

CONTENTS:

PERIODICALS

DO NOT COMMINGLE WITH ANY OTHER CLASS OF MAIL

FROM:

SPBS

TOUR: _____

DATE OF RECEIPT: _____

DATE OF CLEARANCE: _____

bcc: Mr. Goldstein
Mr. Dipietropolo
Ms. Gallagher

\\WADCHQSN113\DATA\PUBLIC\DATA\OPS\SHARED\INPLANT\PDC-OPNS\DIPIETJD\SOPCover.DOC

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\Placards2.doc
\Placards3.doc

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Author:	usps
Keywords:	
Comments:	
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Change Number:	22
Last Saved On:	01/19/00 10:14 AM
Last Saved By:	usps
Total Editing Time:	177 Minutes
Last Printed On:	01/20/00 8:31 AM
As of Last Complete Printing	
Number of Pages:	2
Number of Words:	280 (approx.)
Number of Characters:	1,599 (approx.)

NICHOLAS F. BARRANCA
VICE PRESIDENT, OPERATIONS PLANNING

UNITED STATES POSTAL SERVICE

NORTHEAST AREA
MANAGER OPERATIONS SUPPORT

FEB 0 9 2000

	ACTION	INFO
PLANT		✓
DELIVERY		✓
DISTRIBUTION NETWORKS		✓
AREA		
OTHER		
SUSPENSE DATE		
COMMENTS		

SUSAN - FYI

February 4, 2000

MANAGERS, OPERATIONS SUPPORT (AREAS)

SUBJECT: Addendum to Periodicals Standard Operating Procedures (SOP)

Released in January, the national Periodicals Processing SOP limited commingling of Periodicals with First-Class Mail at the carrier route level. While the SOP emphasized no commingling of Periodicals with other classes of mail, exceptions were permitted for some destinating (incoming) operations. The SOP indicated that Periodicals could be merged with First-Class Mail in the distribution of barcoded letters at the Delivery Point Sequence (DPS) level or manual secondary sortation. Similarly, Periodicals flats could be commingled with First-Class Mail at the carrier route level in automated or manual operations.

As an addendum to the SOP, the option of commingling Periodicals and Standard Mail (A) flats may occur at the incoming secondary level, as long as service for the Periodicals can be maintained. When Periodicals are mixed with Standard Mail (A) flats, the dispatch container must be labeled as "Periodicals." Any facility that opts for this type of commingling must ensure that service performance for Periodicals is strictly monitored and enforced.

Nicholas F. Barranca

cc: Mr. Black
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Mr. Moden
Mr. O'Tormey
Mr. Pajunas
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RESPONSE OF UNITED STATES POSTAL SERVICE TO QUESTION POSED BY THE MAJOR MAILERS ASSOCIATION DURING HEARINGS

Tr. 7/3193. Please refer to MMA/USPS-T24-14 (c1 and c2) and provide similar estimates for the last five years.

RESPONSE:

Mail volume data for returned/forwarded First-Class presort and non-presort letters was not collected prior to Postal Quarter 2 Fiscal Year 1998. As a result, there are no data for calendar years prior to 1998.

For calendar year 1998, the estimated volume of First-Class presort letters that were forwarded or returned is 754 million. The percentage is therefore 1.87% (754 million / 40,305 million). For calendar year 1998, the estimated volume of First-Class nonpresorted letters that were forwarded or returned is 904 million. The percentage is therefore 1.86% (904 million / 48,577 million).

Response of the United States Postal Service
to Interrogatory of Time Warner Inc.

d. Yes, MODS data are available for a portion of FY2000. As of this writing, accounting period (AP) 5 is the most recent full period available. FY2000 TPH, TPF and workhour data through AP5 will be provided in LR-I-190.

CHAIRMAN GLEIMAN: Three participants have requested the opportunity to conduct clarifying cross-examination on certain answers I just admitted into evidence. Those participants are the Alliance of Nonprofit Mailers, KeySpan Energy and Major Mailers Association.

Mr. Tidwell, I believe you get first chair this time.

MR. TIDWELL: Mr. Chairman, the Postal Service calls as the first of these witnesses, Mr. Bradley Pafford, who will the MMA interrogatories.

CHAIRMAN GLEIMAN: If my recollection is correct, Mr. Pafford is already under oath, so once he gets settled in, we can get started on what I am sure is going to be a very short afternoon. Right, gentlemen?

Whereupon,

BRADLEY PAFFORD,

a witness, having been recalled for examination and, having been previously duly sworn, was examined and testified further as follows:

CHAIRMAN GLEIMAN: Counsel, you can proceed whenever you are ready.

MR. HALL: Thank you, Chairman Gleiman. Actually, I have a preliminary matter, and that is we have additional designations based upon institution responses that have been forthcoming in the last few days. And, also, in connection

-- it looks like at least one of these is a response of a witness to a question that MMA posed at the hearing. I'm sorry, this was KeySpan.

But what procedure should we use to get those in? Would you like to hold those and get them in afterwards?

CHAIRMAN GLEIMAN: We may as well do the institution ones right now. Are you sure that these -- I mean there can't be very many institution responses that haven't already been designated. I assume that you have looked at the packet of material and reached the conclusion that they were not in there.

MR. HALL: Yes. This is, in particular, a revised response to MMA/USPS-T32-2, and I believe it was just filed the other day. So I will hand two copies to the reporter and ask that they be added to the group of institution responses.

CHAIRMAN GLEIMAN: If we just give Mr. Tidwell one brief moment to take a look and to perform a service for us by providing them to the court reporter, I will direct that they be entered into evidence and transcribed into the record along with the other institution responses that were just entered.

[Additional Designated
Institutional Written
Cross-Examination by KeySpan of MMA

Interrogatory was received into evidence and transcribed into the record.]

REVISED RESPONSE OF UNITED STATES POSTAL SERVICE TO MMA INTERROGATORY
REDIRECTED FROM WITNESS MAYES

MMA/USPS-T32-2 Please refer to your response to Interrogatory MMA/USPS-T32-1. There you explain where to find postal costs under the Commission's cost methodology for the test year.

(a) Please confirm the following cost figures (in $000's) including contingency (but not prior year losses) for the test year before rates. If you cannot confirm these cost figures, please provide the correct cost figures and the derivation and/or source thereof.

	(1) PRC TY BR LR-I-131, Vol H, Table E	(2) USPS TY BR Exhibit USPS-32A	(3) Difference (1) - (2)
Variable Costs	$ 45,317,267	$ 41,754,751	$ 3,562,516
Institutional Costs	$ 24,592,811	$ 27,992,970	$ (3,400,159)
Total Costs	$ 69,910,078	$ 69,747,721	$ 162,357

(b) If you confirm the cost figures in part (a), please explain why the total costs reported using the Commission's cost methodology are $162.357 million higher than the total costs reported using the Postal Service's costing methodology. If you did not confirm the cost figures in part (a), please explain any difference in the total costs for your corrected cost figures, if there is a difference.

(c) Please confirm the following cost figures (in $000's) including contingency (but not prior year losses) for the test year after rates. If you cannot confirm these cost figures, please provide the correct cost figures and the derivation and/or source thereof.

	(1) PRC TY AR LR-I-131, Vol J, Table E	(2) USPS TY AR Exhibit USPS-32B	(3) Difference (1) - (2)
Variable Costs	$ 44,387,115	$ 40,891,695	$ 3,495,420
Institutional Costs	$ 24,584,124	$ 27,978,701	$ (3,394,577)
Total Costs	$ 68,971,239	$ 68,870,396	$ 100,843

(d) If you confirm the cost figures in part (c), please explain why the total costs incurred reported by using the Commission's cost methodology are $100.843 million higher than if reported by using the Postal Service's costing methodology. If you did not confirm the cost figures in part (c), please explain any difference in the total costs for your corrected cost figures, if there is a difference.

REVISED RESPONSE OF UNITED STATES POSTAL SERVICE TO MMA INTERROGATORY
REDIRECTED FROM WITNESS MAYES

Response to MMA/USPS-T32-2:

(a) Not confirmed. The revised amounts are shown below.

	(1) PRC TY BR See Attachment to this Response	(2) USPS TY BR Exhibit USPS-32A Revised 4/21/00	(3) Difference (1) – (2)
Variable Costs	$ 45,200,186	$ 41,647,946	$ 3,552,240
Institutional Costs	$ 24,592,812	$ 27,992,970	$ (3,400,158)
Total Costs	$ 69,792,998	$ 69,640,916	$ 152,082

There are two sources of the revised amounts. The first source is the errata filed by witness Mayes, USPS-T32, on April 21, 2000. The second source is the USPS-LR-I-131, Table E, equivalent that appears as an attachment to this response. The Table E equivalent is the result of the single input change to the Final Adjustment amount for the single-piece portion of First Class Mail Letters & Parcels. The adjustment was calculated by using the same method described at page 8 of USPS-LR-I-169 (witness Fronk workpaper), as revised 4/17/00.

(b) To understand the Commission's costing methodology, please refer to the Opinion and Recommended Decision, Docket No. R97-1 and PRC library references PRC LR-4, LR-5 and LR-19 from Docket No. R97-1.

To understand the Postal Service's costing methodology in the R2000-1 proposal, please refer to the testimonies of postal witnesses Meehan (USPS-T-11), Kashani (USPS-T-14), Bozzo (USPS-T-15), Degen (USPS-T-16), Baron (USPS-T-12), Pickett (USPS-T-19), Bradley (USPS-T-18), Stevens (USPS-T-20), Smith (USPS-T-21), Raymond (USPS-T-13), among others.

REVISED RESPONSE OF UNITED STATES POSTAL SERVICE TO MMA INTERROGATORY
REDIRECTED FROM WITNESS MAYES

The following illustration may be helpful to understand how different methodologies yield different results. If mail processing volume variability is less than one hundred percent in the Postal Service's cost model and the mail processing volume variability is one hundred percent in the Commission's cost model, whenever the same mail volume effect is applied to mail processing, the results will be different. Arithmetically this can be seen in the following hypothetical example in which base year costs are 100, volume is projected to increase 5 percent, and the Postal Service and Commission variabilities are 80 percent and 100 percent, respectively:

	Postal cost model	PRC cost model
1. Base Year Mail processing cost	100	100
2. Volume Variability	0.80	1.00
3. Volume Variable cost (1 X 2)	80	100
4. Mail Volume Effect	0.05	0.05
5. Mail Volume cost change (3 X 4)	4	5
6. Test Year Mail processing cost (1 + 5)	104	105

The difference between 104 and 105 in this example is purely the result of utilizing different volume variabilities.

(c) Not confirmed. The revised amounts are shown below.

	(1) PRC TY AR See Attachment to this Response	(2) USPS TY AR Exhibit USPS-32A Revised 4/21/00	(3) Difference (1) – (2)
Variable Costs	$ 44,267,841	$ 40,780,380	$ 3,487,461
Institutional Costs	$ 24,584,125	$ 27,978,701	$ (3,394,576)
Total Costs	$ 68,851,965	$ 68,759,081	$ 92,884

The sources and explanation are provided in part (b) of this response.

(d) Please refer to the response to subpart (b) above.

Attachment to Response to
MMA/USPS-T32-2 (Redirected to Postal Service)
Revised 5/8/00

Test Year Before Rates	Total Attributable	Final Adjustments	Adjusted Attributable Costs	Contingency 0.025	Total Including Contingency	Product Specific Including Contingency	Volume Variable Total Including Contingency
First-Class Mail: 1/							
Letters & Parcels	14,336,724	83,094	14,419,818	360,495	14,780,313	0	14,780,313
Presort Ltr & Pcl	5,523,756	-203,034	5,320,722	133,018	5,453,740	0	5,453,740
Single Piece Cards	593,739	-4,177	589,562	14,739	604,301	0	604,301
Presort Prvt P Cs	184,981	0	184,981	4,625	189,606	0	189,606
Total First	20,639,200	-124,117	20,515,083	512,877	21,027,960	0	21,027,960
Priority Mail	3,399,051	125,401	3,524,452	88,111	3,612,563	-56,788	3,555,775
Express Mail	695,423	0	695,423	17,386	712,809	-13,519	699,290
Mailgrams	1,105	0	1,105	28	1,133	0	1,133
Second-Class Mail:							
Within County	82,913	0	82,913	2,073	84,986	0	84,986
Outside County:							
Reg Rate Pub	2,095,675	0	2,095,675	52,392	2,148,067	0	2,148,067
Nonprofit Pub	382,808	0	382,808	9,570	392,378	0	392,378
Classroom Pub	14,743	0	14,743	369	15,112	0	15,112
Total Second	2,576,139	0	2,576,139	64,403	2,640,542	0	2,640,542
Third-Class Mail:							
Single Piece Rate	0	0	0	0	0	0	0
Bulk Rate-Reg							
Car Presort	2,611,957	16,804	2,628,761	65,719	2,694,480	0	2,694,480
Other	7,892,373	-353,091	7,539,282	188,482	7,727,764	0	7,727,764
Total Regular	10,504,330	-336,287	10,168,043	254,201	10,422,244	0	10,422,244
Bulk Rate-Nonprof							
Car Presort	212,502	8,181	220,683	5,517	226,200	0	226,200
Other	1,428,340	-32,224	1,396,116	34,903	1,431,019	0	1,431,019
Total Nonprof	1,640,842	-24,043	1,616,799	40,420	1,657,219	0	1,657,219
Total Third	12,145,172	-360,330	11,784,842	294,621	12,079,463	0	12,079,463
Fourth-Class Mail:							
Parcels Zone Rate	1,102,873	-21,287	1,081,586	27,040	1,108,626	0	1,108,626
Bound Prnt Matter	483,414	0	483,414	12,085	495,499	0	495,499
Spc 4th-Cl. Rate	307,088	0	307,088	7,677	314,765	0	314,765
Library Rate	48,487	0	48,487	1,212	49,699	0	49,699
Total Fourth	1,941,862	-21,287	1,920,575	48,014	1,968,589	0	1,968,589
U S Postal Service	296,853	-296,853	0	0	0	0	0
Free Mail--Blind & Hndc & Servicemen	42,395	0	42,395	1,060	43,455	0	43,455
International Mail	1,527,297	0	1,527,297	38,182	1,565,479	-68,986	1,496,493
Special Services:							
Registry	84,100	-158	83,942	2,099	86,041	0	86,041
Certified	527,111	3,654	530,765	13,269	544,034	0	544,034
Insurance	78,072	-357	77,715	1,943	79,658	0	79,658
COD	16,488	-49	16,439	411	16,850	0	16,850
Special Delivery	1	0	1	0	1	0	1
Money Orders	164,912	0	164,912	4,123	169,035	-11,391	157,644
Stamped Cards	3,360	0	3,360	84	3,444	0	3,444
Stamped Envelopes	12,164	0	12,164	304	12,468	0	12,468
Special Handling	1,819	0	1,819	45	1,864	0	1,864
Post Office Box	573,599	0	573,599	14,340	587,939	0	587,939
Other	193,316	-592	192,724	4,818	197,542	0	197,542
Total Spc Svcs	1,654,942	2,496	1,657,440	41,436	1,698,876	-11,391	1,687,485
Total Attributable	44,919,439	-674,688	44,244,751	1,106,119	45,350,870	-150,684	45,200,186
Other	23,549,126	296,853	23,845,979	596,149	24,442,128	150,684	24,592,812
Total Costs	68,468,565	-377,835	68,090,730	1,702,268	69,792,998	0	69,792,998

1/ Highlighted cell First Class Mail Letters & Parcels Final Adjustment is the only changed input

Attachment to Response to
MMA/USPS-T32-2 (redirected to Postal Service)
Revised 5/8/00

Test Year After Rates		Total Attributable	Final Adjustments	Adjusted Attributable Costs	Contingency 0.025	Total Including Contingency	Product Specific Including Contingency	Volume Variable Total Including Contingency
First-Class Mail:								
Letters & Parcels	1/	14,252,868	80,064	14,332,930	358,323	14,691,253	0	14,691,253
Presort Ltr & Pct		5,519,182	-230,832	5,288,350	132,209	5,420,559	0	5,420,559
Single Piece Cards		577,859	-4,223	573,636	14,341	587,977	0	587,977
Presort Prvt P Cs		180,971	0	180,971	4,524	185,495	0	185,495
Total First		20,530,878	-154,991	20,375,887	509,397	20,885,284	0	20,885,284
Priority Mail		3,189,719	116,642	3,306,361	82,659	3,389,020	-56,788	3,332,232
Express Mail		701,773	0	701,773	17,544	719,317	-13,516	705,801
Mailgrams		1,106	0	1,106	28	1,134	0	1,134
Second-Class Mail:								
Within County		82,087	0	82,087	2,052	84,139	0	84,139
Outside County:								
Reg Rate Pub		2,044,419	0	2,044,419	51,110	2,095,529	0	2,095,529
Nonprofit Pub		401,790	0	401,790	10,045	411,835	0	411,835
Classroom Pub		14,487	0	14,487	362	14,849	0	14,849
Total Second		2,542,783	0	2,542,783	63,570	2,606,353	0	2,606,353
Third-Class Mail:								
Single Piece Rate		0	0	0	0	0	0	0
Bulk Rate-Reg								
	Car Presort	2,555,480	16,137	2,571,617	64,290	2,635,907	0	2,635,907
	Other	7,574,915	-353,023	7,221,892	180,547	7,402,439	0	7,402,439
Total Regular		10,130,395	-336,886	9,793,509	244,838	10,038,347	0	10,038,347
Bulk Rate-Nonprof								
	Car Presort	208,705	8,006	216,711	5,418	222,129	0	222,129
	Other	1,418,777	-27,877	1,390,900	34,773	1,425,673	0	1,425,673
Total Nonprof		1,627,482	-19,871	1,607,611	40,190	1,647,801	0	1,647,801
Total Third		11,757,877	-356,757	11,401,120	285,028	11,686,148	0	11,686,148
Fourth-Class Mail:								
Parcels Zone Rate		1,091,263	-35,656	1,055,607	26,390	1,081,997	0	1,081,997
Bound Prnt Matter		469,586	0	469,586	11,740	481,326	0	481,326
Spc 4th-Cl. Rate		303,452	0	303,452	7,586	311,038	0	311,038
Library Rate		47,637	0	47,637	1,191	48,828	0	48,828
Total Fourth		1,911,938	-35,656	1,876,282	46,907	1,923,189	0	1,923,189
U S Postal Service		297,117	-297,117	0	0	0	0	0
Free Mail--Blind & Hndc & Servicemen		42,440	0	42,440	1,061	43,501	0	43,501
International Mail		1,483,484	0	1,483,484	37,087	1,520,571	-68,986	1,451,585
Special Services:								
Registry		80,889	-149	80,740	2,019	82,759	0	82,759
Certified		491,761	3,397	496,158	12,379	507,537	0	507,537
Insurance		76,560	-352	76,208	1,905	78,113	0	78,113
COD		16,367	-48	16,319	408	16,727	0	16,727
Special Delivery		1	0	1	0	1	0	1
Money Orders		159,545	0	159,545	3,989	163,534	-11,391	152,143
Stamped Cards		3,360	0	3,360	84	3,444	0	3,444
Stamped Envelopes		12,169	0	12,169	304	12,473	0	12,473
Special Handling		1,814	0	1,814	45	1,859	0	1,859
Post Office Box		565,670	0	565,670	14,142	579,812	0	579,812
Other		193,435	-512	192,923	4,823	197,746	0	197,746
Total Spc Svcs		1,601,571	2,336	1,603,907	40,098	1,644,005	-11,391	1,632,614
Total Attributable		44,060,686	-725,543	43,335,143	1,083,379	44,418,522	-150,681	44,267,841
Other		23,540,389	297,117	23,837,506	595,938	24,433,444	150,681	24,584,125
Total Costs		67,601,075	-428,426	67,172,649	1,679,316	68,851,965	0	68,851,965

1/ Highlighted cell First Class Mail Letters & Parcels Final Adjustment is the only changed input

CHAIRMAN GLEIMAN: With respect to the other response, the late-received response, which you indicated pertained to KeySpan, or it was in response to a KeySpan interrogatory, if you would identify it, I have no objection. The problem is that unless it is the one of the witnesses that we have here today, we can't ask someone whether the answer to the question would be the same, and if the Postal Service is willing and you are willing, I would be receptive to a certification from whoever authored the response to be filed as soon as is possible.

So, please provide a copy of what we are dealing with her to Postal Service counsel. And if you would please identify it.

MR. HALL: Yes, thank you. It is the response of United States Postal Service Witness Mayo to a question raised by KeySpan Energy during hearings, and the specific transcript reference is Volume 14, page 5622. So I will hand the reporter two copies and ask that they be copied in and then accept a certification provided either by counsel or by Ms. Mayo through counsel.

CHAIRMAN GLEIMAN: Mr. Tidwell, does that look like it is an acceptable procedure to you?

MR. TIDWELL: Mr. Chairman, the Postal Service wonders whether counsel for MMA or KeySpan, I don't know which --

MR. HALL: KeySpan.

MR. TIDWELL: KeySpan. Can recall whether there was a declaration attached to this response when filed at the Commission. Because if there was one, it would seem to be one that the witness, Witness Mayo, has already sworn to, and we may be covered.

MR. HALL: I believe that is the case.

CHAIRMAN GLEIMAN: Well, I will tell you what we will do. We will enter it into the record, we will transcribe it and enter it into evidence, subject to a certification having been filed or to be filed. Ah, we now know that a certification was indeed filed, someone has the complete document.

MR. HALL: Yes, we do.

CHAIRMAN GLEIMAN: So we will enter it in as additional designated written cross-examination. And if you would please provide the copies to the reporter.

[Additional Institutional Designated Written Cross-Examination by KeySpan was received into evidence and transcribed into the record.]

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO QUESTION RAISED BY KEYSPAN ENERGY DURING HEARINGS

Hearing Question 1 of Keyspan at Tr. 14/5622 "In any event, Mr. Chairman, we would like to ask that the Postal Service furnish that percentage since it was specifically asked for in our question and was not forthcoming in the answer." "And we would also like to know the derivation of that number, how they arrived at it."

RESPONSE:

Based on witness Campbell's response to KE/USPS-T29-53, I am unable to precisely determine the proportion of total QBRM included in CBCIS. However, the CBCIS total FY 1999 volume for QBRM letters and cards is 446,904,073 (363,597,865 one ounce letters plus 2,836,174 for two ounce letters plus 80,470,034 cards). The CBCIS extract used for the total QBRM volume of 446,904,073 did not contain at least one subset of QBRM mailers that generated 59,345,107 QBRM mailpieces in FY 1999. 446,904,073 is 88 percent of the resulting total of 506,249,180 (446,904,073 plus 59,345,107).

CHAIRMAN GLEIMAN: With that, Mr. Hall, fire when ready.

MR. HALL: Thank you.

CROSS-EXAMINATION

BY MR. HALL:

Q Good afternoon, my name is Mike Hall, and I am going to be asking you some questions on behalf of MMA. First, let me ask you, what did they tell you you would be appearing here today for? What were you going to be responding to?

A It is my understanding that I was to explain the numbers that were presented for forward and return mail out of the ODIS system and to explain any questions you might have about how those numbers were constructed. Additionally, we were at one point asked to compare those numbers against some Price Waterhouse study for undeliverable as addressed mail, which I had a cursory, quick look at the other day, and have a few broad, general comments about that, but I have not studied that at great length.

Q Okay. Well, I assume that what you are referring to is the study that has been marked as Library Reference LRI-82, is that right?

A That's correct.

Q Okay. And that study shows a First Class -- this

would be an all First Class UAA percentage of 3.09 percent for fiscal year '98, is that correct?

A That's correct.

Q Now, the ODIS numbers that I have, I guess one thing you are going to have to confirm for me is that all of these numbers are ODIS. But, in any event, we have ODIS percentages that are broken down between presorted and non-presorted First Class mail, and the first set of numbers we have is for calendar '98, and what I see there is 1.87 percent for presorted and 1.86 percent for non-presorted, is that correct?

A That's correct.

Q Then for calendar '99, the Postal Service provided us with additional numbers, again broken down between presorted and non-presorted, of 1.74 percent for presorted and 1.21 percent for non-presorted, is that correct?

A That's correct.

Q Now, maybe you can tell me, I guess one of the questions we asked was for information as to presorted and non-presorted UAA percentages going back approximately five years. And the answer we got back was that you didn't start compiling that or saving that data until 1998, is that correct?

A We haven't been collecting data on UAA, I want to make that distinction. What we collect in the ODIS system

is, and it might be a definitional difference, is forwarded and returned, just forwarded and returned mail. And that is correct, for forwarded and returned, we have just started that in I think beginning -- around the before of FY '98.

Q Okay. And so before then, the best information that we would have would be from these periodic studies such as LR-82, and the Postal Service either did by itself or, in the case of this particular study, was a study commissioned by the Postal Service and performed by Price Waterhouse with the Postal Service, is that correct?

A Well, you would not have that out of the ODIS system.

Q Well, I am saying prior to having the availability of ODIS data, you relied upon, or the best source of information would be these special studies such as the one that is marked as Library Reference 82?

A That is where the information would have been obtained, but we don't relay on that at all. We don't use that study in the group that I am involved with.

Q Okay. And what group are you involved with?

A I am with the statistical programs function which administers the sampling systems, for example, the ODIS system, and it is my responsibility to ensure that the estimates out of the ODIS system are done in a proper manner, and look at the estimates and the margins of error,

the measures of precision, those kinds of things.

Q Okay. Why don't we -- this is a little bit of a diversion, but let's talk about those types of things since I am interested in that. When we get information such as the numbers that I have -- or the percentage I have read into the record for ODIS, what sort of confidence level do you look at for those numbers from a statistical point of view, and how confident are you, plus or minus, whatever? You tell me what confidence you have established in these numbers that you have given us.

A Okay. First of all, for the benefit of the Commission, the ODIS system stands for Origin Destination Information System. That measures the mail flow from origin to destination across all -- between plants, basically, the mail flow between the plant network, basically, the 197 plants, P&DCs.

And it is at that level that we try to set up our sampling system to achieve certain levels of precision. And those are determined for predominantly three categories, First Class, Priority and Parcel Post. Anything below that level, the margins of error sort of fall out by themselves. And something like forwarded and returned percentages here, I have not calculated, or don't know at this point what the margins of error would be on those numbers.

Q And you don't collect this type of information for

Standard mail?

A For forwarded and returned?

Q Right.

A Most Standard mail A is obviously not forwarded, you know, because that is just the nature of the beast, so to speak.

Q Okay. For example, that is something that was studied in the special study that was LR-82, is that right?

A That is my understanding from my cursory observation of it, yes, sir.

Q Okay. So, do I take it from your answer that the -- would it be fair to say that the ODIS system is relatively new in calculating or in providing this type of data, and you haven't determined any sort of -- the reliability of that data?

A That's correct.

Q Okay. Now, in connection with the special study that was done and has been incorporated as LR-82, again, we only have a 1 percentage, and that is for all First Class mail, and that is 3.09 percent. Do you have a breakdown or do you know if a breakdown is available between presort and non-presort for the 3.09 percent?

A I don't know that.

Q Could you endeavor to provide it since you are the Postal Service, as far as we are concerned?

MR. TIDWELL: Mr. Chairman, the Postal Service objects to this request.

CHAIRMAN GLEIMAN: I'm sorry, Mr. Tidwell, I couldn't quite hear you.

MR. TIDWELL: Oh, I am sorry. The Postal Service objects to this request. The Postal Service believes that counsel has crossed the line now in seeking to obtain information about this Library Reference which is outside the scope of the subjects for cross-examination in today's hearing.

MR. HALL: I don't believe I have, in the sense that, and I laid it out with my first questions, determining where we got this data, and it sort of also went to when we got this data. We first had the data of a flat percentage for fiscal year '98 that came out of the special study. And, subsequently, and up until very recently, we have been getting data which all of a sudden shows different and broken down percentages derived from a new database or a new function of a database.

And I think we are interested in the fact that the information that we have been provided from ODIS, they haven't determined how reliable it is. So, now that we have determined that, then we are going back to the earlier study, which is the only touchstone, if you will, or the North Star, or our guiding light, in determining matters of

this sort. And the question seems fairly straightforward, do you have a breakdown between presort and non-presort, just like you gave us from ODIS? They either have it or they don't have it, and I don't think it is too far afield.

MR. TIDWELL: The Postal Service believes that the Presiding Officer's ruling yesterday clearly excluded --

CHAIRMAN GLEIMAN: I think we have to draw the line somewhere, Mr. Hall, and I think that Mr. Tidwell is right on this one. I think that we are starting to get far afield at this point on what we agreed would be the limits of follow-up here.

BY MR. HALL:

Q If you know, what is the difference, at least in your mind, between UAA and forwarding and return?

A In my observation yesterday in the study by Price Waterhouse I noted a couple differences and they deal with two categories, hand forwarded and treated as waste.

Other than those two components of UAA, I believe that the ODIS system and this study are the same.

Q In your mind does that, do those differences explain the difference between 3.09 percent and the approximately, we will call it on average or unweighted average 1.86 percent, the first being for Fiscal Year '98 and the second being for Calendar Year '98, so being essentially the same time period but with a three months --

it is a nine month overlap.

A Well, I can't attest to whether those can account for it or not.

I would have to really dig into the study.

I also want to mention that the ODIS system is weighted, weighted by the probabilities of selection, in such as way that we can calculate measures of precision.

The Price Waterhouse study was a two-week study. It was based on two weeks' data collection and if you want to, we can discuss that in a little more detail.

The ODIS system estimates that I assisted in preparing for the T24 response, T24-14, I guess, is a yearly number.

There are other differences between the two systems that we can note that possibly could account for the differences.

Q Well, I guess what I am interested in is you said earlier that you don't use that study for anything, the UAA study, is that correct?

A In our group that, which talking strictly in work with the ODIS system there is no need to look at this study. Our sole purpose is to provide volume information for our mail flow network and also our transit times, which I failed to mention in my first comments about the ODIS system.

We don't have any need to compare it against this

UAA study in any way.

Q Okay, so I understand that but although you may not use it in connection with the specific database or data information that you work with every day, the Postal Service does often have use for special studies of this type, don't they?

A I believe so, yes, sir.

Q And in general when they have a, do a special study one reason would be that the area is such that reliable information is not forthcoming from general data systems available to the Postal Service. Is that correct?

A I can't speak to that.

Q Okay. In any event, the Postal Service as a national institution, your own responsibilities notwithstanding, has relied upon this study, haven't they?

A The only thing I know is that this study was done. I can't even tell you who commissioned it.

The only thing I was asked to do is to review it and to try to make a cursory interpretation as to why the numbers might be different.

MR. HALL: Mr. Chairman, at this time I wold like to have a document marked as Cross Examination Exhibit -- I don't know how we want to designated it for the institution but it would be MMA-XE -- I believe we are at 2.

CHAIRMAN GLEIMAN: Let's designate it with the

witness's name, MMA-Pafford-XE and the number.

[Exhibit No. MMA-Pafford-XE-2 was marked for identification.]

BY MR. HALL:

Q Let me draw your attention if I may to the story in the right-hand column there of this publication, which is Memo to Mailers. I have handed you the first two pages of that publication, which is Volume 34, Number 10, December 1999.

First, let me ask you, are you familiar with the publication?

A Memo to Mailers, yes, I am.

Q And that is a national publication that the United States Postal Service sends out to mailers?

A I believe that is correct, yes.

Q And so they tell mailers about important developments in this publication?

A I believe so.

Q And I guess somebody at the Postal Service thought enough of the study to put it on the front page of the December 1999 Memo to Mailers, didn't they?

A They must have, yes, sir.

Q So would that be any indication to you that the Postal Service as a national organization thought that this study had important results or had an important message to

mailers and for the Postal Service?

A I assume so, yes, sir.

Q Do you know by any chance -- I believe you said you don't know who commissioned the study, is that correct?

A I know it was conducted by Price Waterhouse Coopers.

Q Right, and the article in the first paragraph says it was conducted by Price Waterhouse Coopers for the Postal Service Office of Address Management. Is that correct?

A I see that.

Q And in the second paragraph it indicates that it was for the National Customer Support Center, located in Memphis, Tennessee, is that right?

A I see that also.

Q So in terms of this particular subject matter, I guess, Memphis, Tennessee is sort of the national headquarters, isn't it?

A I think it is for address management, yes.

Q Yes. Do you know how much this study cost?

A No, I don't.

Q Well, if we could weigh it by the pound, and look at the numbers and look at the effort that went into it, would you, being familiar with the studies that the post office develops, would you say that this was a thorough study that somebody spent a fair amount of money on?

A I would say it is a national study. However, in my judgment in comparing it against the ODIS system, which measures mail volume daily, on the order of 30,000-some tests over a yearly basis with known probabilities of selection, as compared to a two week study, there is no comparison.

Q Well, was it because the study didn't do anything that -- did somebody come to you and say, well, we have to have ODIS develop that type of information, or did you only come to get the request to develop this information when we put in our interrogatories?

A All I am saying is that the percentages calculated in the study of 3.09 percent was based on a two week study.

If the percentages varied in any other two week period, you would not know that.

This two week period, as far as -- I can't tell how that two week period was selected. Therefore, I don't know how you can make a -- was that a randomly selected two week period? I don't know. I do know that in the ODIS system all of the tests, all of the data collection effort, is randomly assigned.

Q That's right, but so far you haven't developed any sort of reliability sense regarding the information that is provided from ODIS. Wasn't that your testimony?

A Yes. I haven't had a need to do that yet.

MR. HALL: If I haven't already done so, Mr. Chairman, I'd like to move the cross examination exhibit we've been discussing, into evidence, and have it copied into the record, if that's the appropriate thing to do.

MR. TIDWELL: Mr. Chairman, the Postal Service would object to it being moved into evidence. We have no problem with it being transcribed into the record as a cross examination exhibit.

I don't believe a foundation has been laid for -- an evidentiary foundation has been laid for establishing that any of the assertions in here are valid in any way.

CHAIRMAN GLEIMAN: Well, earlier today, I ruled that we were going to admit a Postal Service publication into evidence because it was a Postal Service publication. And I think that I either have to reverse my earlier ruling or move this one in.

And I think it is a Postal Service document. I always believe everything I read from the Postal Service, sometimes.

[Laughter.]

CHAIRMAN GLEIMAN: And I think that we'll move this one into evidence, so it will be transcribed into the record and entered into evidence. The Postal Service will be in a position to rebut its own publication, if it's necessary later on.

[Exhibit No. MMA-Pafford-XE-2 was received into evidence and transcribed into the record.]

UNITED STATES POSTAL SERVICE
VOLUME 34 NUMBER 10
DECEMBER 1999

MEMO to MAILERS

WHAT'S INSIDE

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3 LIBERTY CASH CARDS
3 AUTOMATION PROCESSING EXTENSIONS
4 LEGISLATIVE UPDATE
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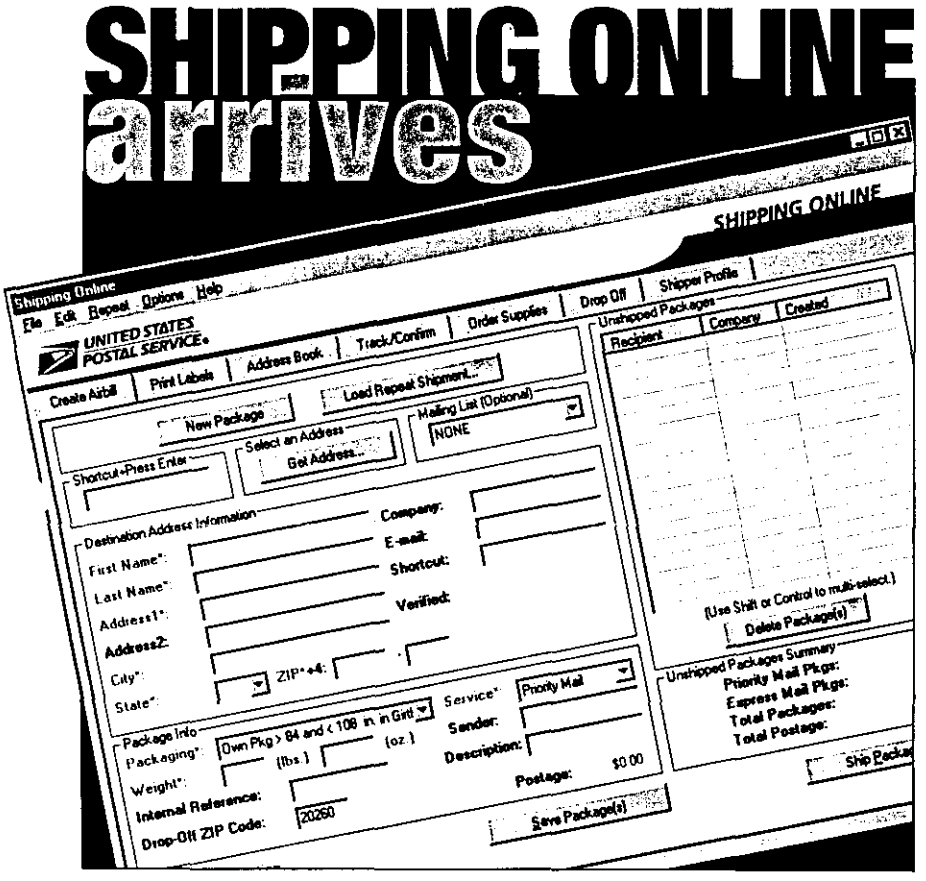
8 EXPRESS MAIL MANIFESTING

SHIPPING ONLINE arrives



Using free Shipping Online software, customers can print labels, pay for postage, schedule a pickup, track packages and confirm delivery for Express and Priority Mail directly from their computers.

Shipping Online is a new Web-based application available from the Postal Service that simplifies the preparation of expedited package mailing labels and the payment of postage online.

"Shipping Online is designed for small- and medium-sized businesses," says Paul Courtemanche, manager, Internet Shipping Solutions programs. "With Shipping Online, customers can print Express Mail or Priority Mail labels, pay for postage, schedule a pickup, track packages and confirm delivery. It can be done right from their computer, 24 hours a day."

The initial testing of Shipping Online was done with1,250 registered Post Office Online customers. CDs with the software will be available from postal supply centers in December and in postal business centers and selected post

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STUDY SHOWS cost of UNDELIVERABLE mail

A new study shows the costs associated with Undeliverable-As-Addressed (UAA) mail and the benefits of good mail list hygiene. The study was conducted by PricewaterhouseCoopers for the Postal Service office of Address Management.

"The study was made because we must know the magnitude of the UAA problem," says Michael Murphy, manager of Address Management at the National Customer Support Center (NCSC) in Memphis.

"Move Update works"

Rocky Matthews
Program Analyst,
Address Management

While UAA mail is less than 3 percent of total mail volume, the cost for processing UAA in FY 1998 was $1.5 billion. The largest costs were for forwarding ($438 million) and for returning to sender ($768 million). The average cost per piece was 21 cents for forwarded mail and 59 cents for returned mail.

The mobility of the American public creates significant problems for business mailers in maintaining high-quality mailing lists. Ninety-three percent of UAA is due to changes of address. Over 60 percent of UAA mail is forwarded or returned to sender and the rest ends up as waste, depending on the mailer's endorsement.

A study of UAA mail is conducted periodically to determine the volume, characteristics and costs of UAA mail. "The study will help us develop new strategies to tackle

continued on page 2

MMA - Pfafford - XE-2

time limits set on REVENUE DEFICIENCIES

"Notifications of deficiencies and the application of the rules across the country will be more uniform."

Stephen Brown
Accountant

New instructions have been issued on assessing and collecting insufficient payments of postage and fees owed, and general time limits have been set as to how far back the Postal Service will look for prior deficiencies.

"The old instructions were from 1989," says Accountant Stephen Brown. "The new instructions will insure the handling of revenue deficiencies is in compliance with accounting procedures and bring consistency in the application of debt collection." The new instruction also includes new accounts for the recording and tracking of revenue deficiencies.

Once a revenue deficiency is discovered, the Postal Service looks at previous mailings or fees to see if other deficiencies exist. How far back in time the Postal Service looks depends on the category of mail or service.

For mailings requiring a postage statement, the general time limit is 24 months prior to the time the shortfall was discovered. For revenue deficiencies resulting from fees and other sources, the time limit is 12 months.

"Notifications of deficiencies and the application of the rules across the country will be more uniform," Brown says.

The time limits do not apply in cases where fraud is suspected or where no postage has been paid or if there is a history of repeated non-compliance with mailing standards. The deficiency may be waived if a debtor has written evidence that the mailing was authorized as prepared.

Revenue deficiency references will be changed in the Domestic Mail Manual (DMM). Debtors will still be afforded at least two levels of appeal for deficiencies. ■

UNDELIVERABLE MAIL

continued from page 1

the UAA problem and ensure mailers are keeping current with their mailing lists," Murphy says. The study also supports the rate development and mailing requirements processes.

The survey was conducted at 155 delivery units and 122 Computerized Forwarding System (CFS) sites. Over 34,000 UAA mailpieces were analyzed for mail characteristics, endorsements and disposition.

The study shows that increased use ofMove Update programs contributed to a reduction in UAA volume. Rocky Matthews, program analyst for Address Management, says, "In 1998, UAA volumes were cut in half using Move Update programs. Move Update works." The study estimates the total cost avoidance associated with Move Update programs at $1.5 billion. "Those are costs that would have had to be passed on to mailers through fees or as part of the rates," Matthews notes.

Move Update is the umbrella term for all of the change-of-address (COA) services the Postal Service provides, such as National Change of Address (NCOA), *FASTForwards℠* and Address Change Service (ACS). Using Move Update tools, mailers can identify and correct addresses that would have been undeliverable due to address changes. While the Move Update requirement was designed for First-Class discount mailers, the mailing tools are available to any mailer.

"Mailers should use pre-mailing hygiene tools such as NCOA or *FASTForwards℠* to correct their lists before mailing and post-mailing tools such as ACS or Ancillary Service Endorsements as a follow-up on their mailings," Murphy adds. "It's cost-effective because it will reduce the amount of delayed, misdirected or returned mail, so mailers don't waste paper or postage, and they'll get better service with less rehandling."

The executive summary of the study is available on the postal Web site at www.usps.com through the Rapid Information Bulletin Board System (RIBBS) page (http://ribbs.usps.gov/files/uaa). It can be downloaded as a portable document format (PDF) file. ■

UAA volume

ANNUAL VOLUME IN FY 1998:

5.4 billion pieces
Average cost per piece: 29 cents

- **2.1 billion pieces forwarded *(39 percent)***
- **1.3 billion pieces returned to sender *(24 percent)***
- **2.0 billion pieces treated as waste *(37 percent)***

americans ON THE MOVE

- **17 percent of Americans change addresses annually.**
- **43 million people move annually.**
- **The average American moves 11 times in a lifetime.**
- **One of every six families moves each year.**
- **The Postal Service processed 44 million changes of address in 1998.**

MR. HALL: Thank you. I only have a few more question, if I may.

BY MR. HALL:

Q When did ODIS start gathering the information that's been provided to us in response to our data requests?

A I believe it's the beginning of -- the exact dates, I'd have to look at. When you came back and asked us for calendar year 1998, I think we were just barely right at the cutoff, so that would be around January then of '98. I'd have to go back and get the exact dates on that.

Q And why did ODIS begin to gather this information?

A I can't tell you that, because I have just started in with the ODIS system within the last year, '99.

I believe it was just to get a handle on how much forward and return mail there was, because prior to that, we used to record it as what we used to call cannot be read and equate it to other mail pieces that we couldn't read the postmark origin to.

Q Okay. Earlier, we were discussing the two periods, calendar '98 and calendar '99, for which you furnished ODIS data.

What, in your opinion, accounts for the reduction between calendar '98 and '99, in the non-presort forwarded and returned percentage from 1.86 to 1.21 percent?

A I really can't say. As I'm trying to explain, the

group we're involved with is set up to ensure that the system is a probability-based system, the estimates are reliable, accurate and reliable.

And I don't get into trying to determine what's happening in the marketplace with mailers or processing, so forth and so on, that would increase or decrease these percentages.

MR. HALL: Those are all my questions, thank you very much.

CHAIRMAN GLEIMAN: Mr. Pafford, unless there is some followup or questions from the Bench, or redirect --

[No response.]

CHAIRMAN GLEIMAN: If that's the case, then, Mr. Pafford, we want to thank you yet again for your appearance here and your contributions to the record, and you are excused.

[Witness excused.]

CHAIRMAN GLEIMAN: Mr. Hall, if you would change hats now and put your KeySpan hat on, I'll ask the Postal Service to call the next witness.

MR. TIDWELL: The Postal Service calls Chris Campbell to the stand.

CHAIRMAN GLEIMAN: Mr. Campbell is already under oath, so, Mr. Hall, you may proceed when you're ready.

Just as he's settling in, let me mention one

procedural matter that relates to Major Mailers Association.

On May the 3rd, Major Mailers filed a motion to compel production of a more responsive answer to Interrogatory MMA/USPS-T-32-2, and filed a notice that they were going to cross examine on that interrogatory today.

On May 8th, the Postal Service filed an amended response, and my assumption is that everyone is satisfied to the extent they're going to be at this point, and as a consequence, I'm going to assume that the May 3rd motion is moot.

MR. HALL: Yes. As a matter of fact, let me state for the record that we have had informal conversations with several people in the Postal Service regarding that particular interrogatory response, and believe that we have finally received a satisfactory explanation that my witness will be able to rely upon for the -- to the extent that he needs to in formulating his testimony.

CHAIRMAN GLEIMAN: And now, the followup that you had for this witness, with you wearing your KeySpan hat.

MR. HALL: Thank you.

Whereupon,

CHRIS F. CAMPBELL,

a witness, having been previously called for examination, and, having been previously duly sworn, was recalled to the stand, continued to be examined, and continued to testify as

follows:

CROSS EXAMINATION

BY MR. HALL:

Q Good afternoon, Mr. Campbell.

A Good afternoon.

Q It's fortuitous in one respect that you are the witness today because the first thing I have for you is -- it is somewhere here -- is a copy of your response to KeySpan interrogatory T-29-53.

A Thank you.

Q And if I could, I would like to ask you to look that over and verify that that is indeed the response that you filed and that your answers today would be the same as they are as given in that response.

A Yes, I would answer these the same way. However, I would like to note, in 53(i) we did include the FY '98 RPW QBRM volume, which we have forwarded to you, but that is not included in this response. And we will revising the response for the record.

MR. HALL: Okay. That's fine. With that, Mr. Chairman, I would like to hand two copies to the reporter and ask that it be included in the record as designated written cross-examination.

CHAIRMAN GLEIMAN: It is so ordered. The interrogatory in question will be entered into evidence and

transcribed into the record.

[Additional Designated Written Cross-Examination of Chris F. Campbell, KE/USPS-T-29-53, and Witness Campbell's Response were received into evidence and transcribed into the record.]

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS CAMPBELL TO INTERROGATORY OF KEYSPAN ENERGY

KE/USPS-T29-53.

Please refer to your latest revised response to Interrogatory **KE/USPS-T29-49** (dated April 24, 2000) and USPS witness Susan W. Mayo's response to Interrogatory **KE/USPS-T39-12 (d) and (f).** In your response to Interrogatory **KE/USPS-T29-49, parts (a) and (b),** you furnished certain limited information about the top (i.e. highest volume) 75 QBRM accounts using the database and search capabilities available through the PERMIT system. In her response to Interrogatory **KE/USPS-T39-12 (d),** witness Mayo indicated that, according to a centralized Postal Service database known as the Corporate Business Customer Information System ("CBCIS"), "at least 486 BRM mailers [sic] have reported annual volumes for one ounce pieces exceeding the breakeven volume that would make the proposed QBRM with the quarterly fee attractive."

a. Please list, compare, and contrast the QBRM recipient information that is contained in the PERMIT and CBCIS databases.

b. Please explain fully the purposes for which the Postal Service uses the PERMIT and CBCIS systems.

c. Please state the date that the PERMIT system came online.

d. Please state the date that the CBCIS system came online.

e. To the extent not already furnished and fully explained in connection with the above parts of this interrogatory, please state and explain what information about QBRM recipients, if any, is contained in the PERMIT system but not the CBCIS system or in the CBCIS system but not the PERMIT system.

f. Using whichever database system is more comprehensive (i.e. contains information about the greatest number of QBRM recipients), please provide, for the base year and the most recent twelve month period for which data are available, a list of all QBRM recipients who received more QBRM reply mail pieces than the breakeven volume of 113,000 pieces per year ("high volume QBRM recipients"). For each of the high volume QBRM recipients, please provide, in tabular form, the following information from the PERMIT or CBCIS database, if available, or other sources if the referenced databases do not include the requested information:

   (1) the location of the postal facility where such QBRM recipient receives its reply mail;

   (2) the total volumes of QBRM received during the relevant twelve month period;

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS CAMPBELL TO INTERROGATORY OF KEYSPAN ENERGY

KE/USPS-T29-53 (continued)

(3) how many different addresses the QBRM recipient maintains for QBRM at such postal facility;

(4) if a listed QBRM recipient maintains more than one QBRM address at that facility, the volumes of QBRM delivered to each of the recipient's addresses during the relevant periods;

(5) if a listed account holder receives QBRM reply mail pieces for others, the number of different QBRM recipients for which the listed recipient receives such reply mail pieces;

(6) whether the address printed on each of the QBRM recipient's reply piece is a post office box or a physical street address;

(7) for recipients whose reply mail pieces are addressed to post office boxes, whether the QBRM recipient's reply mail pieces are picked up by the recipient or its designated representatives from the post office box or through firm holdout procedures, or whether postal service personnel routinely deliver the recipient's QBRM volumes to the recipient's place of business;

(8) the method customarily used to sort such recipient's QBRM to the recipient and the processing step (e.g. incoming primary, incoming secondary) and the location where the final sort to that recipient occurs (e.g. at another postal facility, outside the postage due unit in the destination facility, or within the postage due unit in the destination facility; and

(9) if the QBRM recipient received BRM at such facility in 1989, please furnish the information requested in subpart (8) for 1989.

g. For customer 2 at Postal Facility 17, for which you show total volumes of 30,017,809 and 38,382,839 pieces on Attachments 1 and 2, respectively, to your response to Interrogatory KE/USPS-T29-49:

(1) Please confirm that customer 2 receives QBRM reply mail pieces on behalf of many other QBRM recipients and state how many.

(2) Please state how these pieces (i) sorted in the last sort when the pieces are separated to the recipient, and (ii) counted.

h. For each of the Post Offices included in Attachment 1 and/or 2 of your response to Interrogatory KE/USPS-T29-49, please state and identify by

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS CAMPBELL TO INTERROGATORY OF KEYSPAN ENERGY

KE/USPS-T29-53 (continued)

geographic location, which ones were included in study performed by USPS witness Pham in Docket No. R90-1 (USPS-T-23).

i. For the periods for which you furnish information in response to this interrogatory, please provide the total volumes of QBRM reported in the PERMIT system, the CBCIS system, and the RPW system.

RESPONSE:

a. My understanding is that the PERMIT system's BRM module contains millions of transaction-level data records with the following elements:

(i) Postal site finance number

(ii) Customer QBRM permit number

(iii) Sequence number for customers with multiple accounts

(iv) QBRM volume for specific transaction

(v) Revenue for specific transaction.

The CBCIS database simply rolls up individual transactions by permit number and matches the permit number to a customer name. Thus, the CBCIS database contains customer-specific QBRM volumes and revenues on an aggregated basis. In addition, CBCIS matches a Postal finance number with the site name.

b. The Permit System is an accounting based system at the local office level that was developed to compute bulk mail postage, update mailers' trust fund accounts, and aid the postmaster in reporting end of period statement of account activity. The PERMIT system is a well-established system that was first deployed in 1985 (see the response to NNA/USPS-4(a)) and which gradually replaced the initial predecessor automated

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS CAMPBELL TO INTERROGATORY OF KEYSPAN ENERGY

RESPONSE TO KE/USPS-T29-53 (continued)

financial systems known as BAARS and BRAVIS. No information is available to determine when the PERMIT System was first used in the RPW model. However, it is known that BAARS and BRAVIS were used as far back as 1984 in the RPW model to replace the old manual form process of reporting RPW data, and it is believed that PERMIT was phased in beginning shortly thereafter. Information on the PERMIT System is documented and available in library reference Nos. USPS LR-I-44 through LR-I-48.

It should be stressed that the Postal Service's RPW estimates for the BRM category are constructed from the Domestic RPW (DRPW) sampling system, and not from the PERMIT System-based Bulk RPW (BRPW).

The CBCIS database is primarily used as a marketing tool to identify Postal customers with specific volume and revenue characteristics. For example, CBCIS is often utilized as a resource when identifying the sampling universe for marketing studies. CBCIS is not relied upon for financial data.

It should be stressed that CBCIS simply "rolls up" raw transactional data from the PERMIT System. In other words, CBCIS data is not "cleaned" and thus has inherent limitations. My understanding is that CBCIS may actually overstate QBRM volumes and revenues because adjustments are not made to data for transaction reversals.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS CAMPBELL TO INTERROGATORY OF KEYSPAN ENERGY

RESPONSE TO KE/USPS-T29-53 (continued)

c. The PERMIT System came online in 1985.

d. The CBCIS system came online in 1993.

e. As stated in part (a), with respect to QBRM, the CBCIS database contains the same data housed in the PERMIT System, only on an aggregated level. CBCIS matches a permit number from PERMIT with a customer name and matches a Postal finance number with a Postal site name. Thus, CBCIS contains customer names and Postal site names, while PERMIT only contains permit numbers and finance numbers for individual customers and postal sites.

f. Data responses to parts (1) through (4) are being filed in USPS LR-I-331 under protective conditions. Two diskettes (FY98.zip) contain FY98 QBRM volumes for quarters 1 through 3 from the PERMIT system. A third diskette (FY99-00.zip) contains QBRM volumes for FY99 (AP6) through FY00 (AP6) from CBCIS.

i. The QBRM volumes for the period FY99 (AP6) through FY2000 (AP6) from CBCIS are as follows:

1 oz letters – 387,581,098 pieces

2 oz letters – 3,397,207 pieces

cards – 83,290,599 pieces

Because CBCIS volumes are taken directly from PERMIT, it is assumed that the PERMIT volumes are the same as those listed above.

The QBRM volumes for the FY98 (AP's 1-9) are as follows:

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS CAMPBELL TO INTERROGATORY OF KEYSPAN ENERGY

RESPONSE TO KE/USPS-T29-53 (continued)

1 oz letters -- 209,493,374 pieces

2 oz letters -- 1,907,487 pieces

cards -- 52,840,136 pieces

These volumes were taken from the PERMIT system and are assumed to be the same as those in CBCIS.

The RPW QBRM volume estimates for the period FY99 (AP6) through FY2000 (AP6) is 441,450,000 pieces. The 95% confidence relative error band around this estimate is plus or minus 17%.

MR. TIDWELL: Mr. Chairman, it might be more efficient if the witness happens to have the '98 volumes with him, if he could read them into the record so that they immediately followed the answer, we might save ourselves a tree and some paper and all that.

CHAIRMAN GLEIMAN: If you do have that material, I think that Mr. Tidwell's suggestion is helpful.

THE WITNESS: Okay. The volume is on the order of 450 million pieces of QBRM. I don't have the exact numbers.

CHAIRMAN GLEIMAN: And that is for, again, fiscal year?

THE WITNESS: That is fiscal year '98.

CHAIRMAN GLEIMAN: Okay. Thank you.

Mr. Hall.

MR. HALL: Yes. Let me -- I would like to do some housekeeping matters, and perhaps it would be appropriate if we can get another cross-examination exhibit identified. And I believe this would be for Mr. Campbell, it would be KeySpan Cross-Examination Number 2.

[Cross-Examination Exhibit No. KeySpan-Campbell-XE-2 was marked for identification.]

BY MR. HALL:

Q If I may, let me start with a little additional homework here. I believe, Mr. Campbell, you tried to

provide some information in response to, I believe it was part (i) of your response to interrogatory -- KeySpan interrogatory T-29-53, is that right?

A I provided data for that, yes.

Q I have specific data I would like you to confirm if you could, please. Okay. This is BRMAS volume for fiscal year '98 was 440,285,602 pieces.

MR. TIDWELL: And you are wanting the witness to confirm that that was the figure that we e-mailed to you all earlier this week, correct?

MR. HALL: That he was going to provide us, or did provide us.

MR. TIDWELL: Yes. We will accept, subject to check, that that was the number we e-mailed to you earlier this week.

CHAIRMAN GLEIMAN: I think I would like to hear the witness say that.

THE WITNESS: I have a total for one ounce letters, a total for two ounce letters, and a total for cards for FY '98, APs 1 through 9. I don't have a grand total in front of me, so the grand total would be subject to check.

MR. HALL: Fine.

BY MR. HALL:

Q Now, let's go back to the cross-examination

exhibit that I have distributed and handed two copies to the reporter. That is a four page exhibit, the first page of which bears the heading, "Summary of Accounts Whose QBRM Volumes are Hand Counted." Have you had a chance to review that exhibit?

A I reviewed a version that was sent to us yesterday via fax, yes.

Q And the first thing I would like you to confirm, for example, in interrogatory T-29-53, at several places, and I am looking for a good example here, you say that you are providing information, for example, in part (i), for fiscal year '99, AP 6 through fiscal year 2000, AP 6. Am I correct that what you really mean to say there is that you are providing information for fiscal year '99, AP 6 through fiscal year 2000, AP 5?

A Right. That would be through the end of fiscal year 2000, AP 5, correct.

Q Okay. And if I found the same time span, AP 6 to AP 6, in either -- in any other portion of the response to interrogatory Keyspan 29-53, or KeySpan 29-49, then I should also understand that it was really AP 6 to AP 5, is that right?

A Yes.

Q Now, I'd like you to turn, if you have a copy, hopefully, of the Postal Service's response to Interrogatory

KeySpan-T-29-43.

A Yes?

Q I'd like you to focus on (b) here where it says that the Postal Service has not developed any concrete plans on a national basis to more efficiently process QBRM or perform associated accounting for high-volume accounts.

And then it continues that this is not to imply that individual sites will not initiate their own improvement efforts.

Do you see that response?

A Yes, sir.

Q Now, based on the information that you provided to us in response to Interrogatories KeySpan T-29-49 and 53, we have compiled the information shown in the cross examination exhibit.

And what I'd like to draw your attention to is the fact that there are certain sites which have at or near 100 percent hand counting as the method for determining the number of QBRM envelopes or cards received; do you see that?

A Yes.

Q Now, would this information, which you could pick off of the PERMIT system or CBCIS system, in your opinion, give you or give the Postal Service the ability to identify problem facilities where hand counting was prevalent or predominant and permit the Postal Service to send out teams

designed to improve automation counting of QBRM and substitute that as a more efficient and effective way of counting QBRM?

A Right. My understanding is that the CBCIS database and PERMIT simply contain revenues and volumes.

It doesn't contain counting methods, so in order to identify a so-called problem site, one would need to know the complete picture of that site, their operational situation, their automation utilization and capacity, their volumes, et cetera, the volumes which, of course, could be taken from CBCIS.

Q Well, and as a matter of fact, the information that's provided in Column 4 for volume hand counted or percentage of volume hand counted, does come from information that you obtained for us by making specific phone calls to the individual sites; isn't that right?

A That is correct.

Q And, once again, that whole odyssey began because we asked you to give us information about the top 75 QBRM accounts, nationwide; isn't that right?

A Correct.

Q So, once again, with this information, you could at least develop a short list, as we've done here, of sites that perhaps the Postal Service should examine to determine if there are improvements that are possible; wouldn't that

be correct?

A That is correct.

Q Now, I should also note for the record here, although it's indicated in the sources on the last page, that what we've done is to take the response to Interrogatory Keyspan T-29-53, and do a cutoff.

We received a lot of information, I believe, about the top 2,000 sites -- pardon me, I misspoke, the top 2,000 accounts in the country -- and yet what we've presented here is simply a snapshot of the larger accounts, and our specific cutoff was 40,000 pieces per year.

So, with that in mind, Mr. Campbell, you will see for several of these sites that you have individual customers with very large volumes, and then perhaps a number of accounts with volumes that are called Other; do you see that?

A Yes.

Q And in some cases, the Other category, in the aggregate, is as large as some of the very largest accounts at that Postal facility; is that correct?

A In some cases, that is the case.

Q Right. And, again, what we did there was, we had a cutoff level of 40,000; we didn't consider anybody that was lower than that, and we also didn't list individual customers that were any lower than the 113,000 pieces per

year that the Postal Service's proposal for the break-even or minimum quantity for its new QBRM high-volume proposal; is that right?

A That's my understanding.

I'd like to point one thing out, if I may?

Q Certainly.

A You mentioned that you used I think the top 2000 accounts. I just wanted to for the record state that those 2000 accounts were the top 2000 accounts and it only consisted of one ounce letters.

I provided you well over 10,000 records for cards and letters, two ounce letters. I don't know if those have been incorporated into this or not.

Q No, that's a very good correction and I thank you for doing that.

There is that other information and I am sure we will get around to using it, but this, you are right, is just restricted or limited to one ounce letters.

That brings up another important question in my mind, because it arises in my client's mind. When we examined the data that appears in the response to Interrogatories T29-49 and -53, we noted the apparent absence of one of the, one or more of the KeySpan accounts, and could you verify if you had an opportunity to verify that in fact the KeySpan account or accounts in Brooklyn are

not included in the information that you have provided?

A That is correct. That account is not entered into the PERMIT system.

MR. HALL: At this point I would like to move admission of I believe we have called it KeySpan-Campbell-XE-2.

CHAIRMAN GLEIMAN: Without objection, it will be entered into the record, transcribed and entered into evidence.

[Cross Examination of KeySpan-Campbell-XE-2 was received into evidence and transcribed into the record.]

KeySpan – Campbell – XE-2

Summary of Accounts Whose QBRM Volumes Are Hand Counted

1	2	3	4
POST OFFICE IDENTIFICATION NUMBER	VOLUME FY99 AP6 TO FY00 AP5	TOTAL QBRM FOR OFFICE	% VOLUME HAND COUNTED
3	2,468,908		
3	1,199,208		
3	561,509		
3	459,117		
3	413,461		
3	407,421		
3	353,324		
3	348,233		
3	328,779		
3	326,650		
3	264,471		
3	230,097		
3	227,869		
3	227,415		
3	219,671		
3	218,941		
3	199,361		
3	182,144		
3	175,087		
3	172,044		
3	152,359		
3	151,921		
3	136,613		
3	121,346		
3 (18 Other Accounts)	1,381,762		
Total For Office 3		10,927,711	52%
6	9,433,164		
6	2,634,921		
6	536,252		
6 (2 Other Accounts)	165,610		
Total For Office 6		12,769,947	24%
10	920,323		100%
10	699,520		100%
10 (1 Other Account)	96,147		100%
Total For Office 10		1,715,990	100%

POST OFFICE IDENTIFICATION NUMBER	VOLUME FY99 AP6 TO FY00 AP5	TOTAL QBRM FOR OFFICE	% VOLUME HAND COUNTED
12	1,944,311		
12	1,223,703		
12	863,097		
12	526,528		
12	308,841		
12	303,908		
12	212,554		
12	272,848		
12	124,287		
12 (19 Other Accounts)	1,125,873		
Total For Office 10		6,905,950	26%
19	921,137		100%
19	531,732		100%
19	325,993		100%
Total For Office 19		1,778,862	100%
24	1,818,455		
24 (1 Other Account)	70,223		
Total For Office 24		1,888,678	50%
25	986,135		100%
25	577,781		100%
25	411,838		100%
25	177,047		100%
25	162,842		100%
Total For Office 25		2,315,643	100%
28	1,497,313		100%
28 (1 Other Account)	103,138		100%
Total For Office 28		1,600,451	100%
33	1,808,286		
33	763,338		
33	438,779		
33	416,289		
33	338,455		
33	237,163		
33	222,731		
33	166,439		
33	156,861		
33 (7 Other Accounts)	528,019		
Total For Office 33		5,076,360	37%

POST OFFICE IDENTIFICATION NUMBER	VOLUME FY99 AP6 TO FY00 AP5	TOTAL QBRM FOR OFFICE	% VOLUME HAND COUNTED
35	3,527,732		100%
35	2,400,709		100%
35	1,046,671		100%
35	840,530		100%
35	704,529		100%
35	257,467		100%
35	209,795		100%
35	193,306		100%
35	189,475		100%
35	156,255		100%
35	127,056		100%
35 (1 Other Account)	99,813		100%
Total For Office 35		9,753,338	100%
46	930,710		100%
46	151,290		100%
Total For Office 35		1,082,000	100%
48	2,074,582		
48	2,041,846		
48	1,503,213		
48	1,297,976		
48	816,346		
48	604,283		
48	529,367		
48	525,212		
48	509,231		
48	458,175		
48	417,351		
48	351,550		
48	339,246		
48	320,094		
48	316,594		
48	283,780		
48	283,021		
48	261,073		
48	249,966		
48	249,468		
48	248,177		
48	246,403		
48	233,310		
48	214,486		
48	211,653		
48	204,562		

POST OFFICE IDENTIFICATION NUMBER	VOLUME FY99 AP6 TO FY00 AP5	TOTAL QBRM FOR OFFICE	% VOLUME HAND COUNTED
48	203,627		
48	182,754		
48	174,162		
48	166,202		
48	155,387		
48	150,817		
48	148,374		
48	144,377		
48	141,044		
48	133,278		
48	120,349		
48	118,271		
48	114,401		
48	114,347		
48 (46 Other Accounts)	3,179,596		
Total For Office 48		20,037,951	98%
Grand Total	75,852,881	75,852,881	

Sources:

Column 1:	KE/USPS-T29-49
Column 2:	KE/USPS-T29-53 (Accounts With Annual Volumes of 40,000 or Mo
Column 3:	**Based On Column 2**
Column 4	KE/USPS-T29-49

MR. HALL: At this point I have another cross examination exhibit. Let me identify it. It is the June 18, 1999 response of the United States Postal Service to Presiding Officer's Information Request in Docket Number MC99-2.

CHAIRMAN GLEIMAN: And for cross examination exhibit purposes it will be KeySpan-Campbell Number 3.

[Cross Examination of KeySpan-Campbell-XE-3 was marked for identification.]

MR. HALL: Now I am going to say for the record that I am not sure I have questions for this witness about this cross examination exhibit. The reason is during my prior cross examination of the witness we ascertained the fact that the witness had not participated in or provided support for the Postal Service effort in that docket.

Further, I believe that the witness was unfamiliar or did not recall any commitments that the Postal Service may have made to the Presiding Officer or the Commission in that case with respect to future efforts to improve the processing of QBRM.

Further, I had intended or expected to have a witness here today who would be able to address the juxtaposition of the commitments made to the Commission in MC99-2 with the statement which we have just been discussing

in the institutional response to KeySpan Interrogatory T29-43, and I will read that again -- that is in part (b). The Postal Service has not developed any concrete plans on a national basis to more efficiently process QBRM or perform associated accounting for high volume accounts.

I did not read the last portion there because that was the subject of my recent discussion with the witness.

So I am a little bit in a quandary here. We have a witness who couldn't answer the question the first time around and had to have it redirected to the Postal Service, but it is my understanding that the Postal Service doesn't have another witness here today who can respond to my questions regarding these matters, so perhaps the best solution here is to simply have this cross examination exhibit entered into the record and offer the Postal Service an opportunity to provide a written response to my main question, which is who made the decision that there would be no national push to improve counting practices for QBRM.

MR. TIDWELL: The Postal Service has a witness on the stand presently who can address those issues.

CHAIRMAN GLEIMAN: Well, I think you should go ahead, given counsel's comments and ask the witness. Maybe the witness has learned something since the last time he was here and can help you out on this, in which case it will really be a cross examination exhibit and it won't be some

designation of testimony from a previous proceeding.

MR. HALL: I will do my best.

BY MR. HALL:

Q Mr. Campbell, in the days since April 28th, when you took the stand and first saw this cross-examination exhibit, I believe, have you had an opportunity to reflect upon the commitments that the Postal Service made to the Commission in Docket Number MC 99-2?

A In the last couple of weeks, I have been able to speak with individuals in operations, as well as marketing, with respect to any activities that are ~~taken~~ taking place, and I have learned that there is, in fact, an effort in its infancy. You may be familiar with the MTAC Work Group. They have joined together with the Postal Service in developing a cross-functional team to address QBRM issues.

I understand that they are addressing three primary objectives, namely, service, accounting procedures and acceptance procedures. They are also visiting sites jointly to identify best practices throughout the field. My understanding is they are to develop a report by October 2001 on their findings.

Q So, what you telling me is that they are going to be studying it, or they are fixing to get ready to study it and the study ought to be completed by the end of the test year in this case?

A Correct.

Q So then it would probably be unlikely that there would be any recommendations forthcoming before then?

A Exactly. That is really the approach I took in this rate case, that there was nothing to occur before the end of the test year in regards to a national effort with respect to high volume QBRM or any QBRM.

Q Well, okay, but now we have identified several offices where -- and this really only goes to higher volume, we will call it, QBRM, where the Postal Service could go in and make improvements now, isn't that correct?

A That is certainly an approach.

Q So, now, what we are talking about is really something to be done, I guess, on a national basis, you are telling me, for lower volume QBRM?

A What I am saying is that this work group will take a broad look at BRM as it exists today. They will make recommendations on best practices and identify areas where clerks can be trained, as well as how to address service improvement issues. And, again, that is forthcoming in October 2001.

Q Okay. What I didn't hear in your description of what this MTAC group was going to be studying was specifically the counting issue, which has seemed to become a thorny issue in this case. I heard you say "accounting,"

but I didn't understand in the context in which you said it to have that mean that you were going to be studying the method of counting.

A Right. As I was given these objectives by the Work Group, they have used the term "accounting" to mean the sorting, counting, billing and rating of QBRM. I wasn't a part of that definition. That is how they have defined it for purposes of their project.

MR. HALL: Okay. I would like to move admission of Cross-Examination Exhibit whichever one it is now.

CHAIRMAN GLEIMAN: Number 3.

MR. HALL: Number 3.

CHAIRMAN GLEIMAN: Without objection, it is to be transcribed into the record and entered into evidence.

[Cross-Examination Exhibit of KeySpan-Campbell-XE-3 was received into evidence and transcribed into the record.]

KeySpan - Campbell
+E-3

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

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

CLASSIFICATION AND FEES FOR WEIGHT-AVERAGED NONLETTER-SIZE BUSINESS REPLY MAIL, 1999

Docket No. MC99-2

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO PRESIDING OFFICER'S INFORMATION REQUEST

On June 3, 1999, the Presiding Officer issued an Information Request. The United States Postal Service hereby files its response to that Information Request. The request is stated verbatim and is followed by the Postal Service's response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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June 18, 1999
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RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO PRESIDING OFFICER'S INFORMATION REQUEST

REQUEST:

This case and others (MC97-1 and MC99-1) in a recent series exploring accounting options for nonletter-size Business Reply Mail (BRM) have demonstrated the Service's willingness and ability to work with mailers, such as photofinishers, on developing efficient, cost effective methods suited to their special business needs. Given the apparent success with its recent experiment, the Commission is interested in learning whether the Postal Service is actively pursuing the possibility of extending the apparent benefits of weight averaging, now available only to mailers of nonletter-size pieces, to other BRM mailers.

Therefore, the Postal Service is requested to provide an informational report on known impediments to such an extension, and the status of any work or planning that may be underway, or anticipated, related to testing or implementing weight-averaging or other cost effective methods of counting, rating and billing letter- or card-size BRM.

RESPONSE:

The standard method of accounting for nonletter-size Business Reply Mail involves a clerk manually weighing each individual piece and then calculating the postage due on it. As reflected in the current 8-cent per-piece fee charged for such accounting, this is a relatively costly and time-consuming process. Given the physical characteristics of nonletter-size Business Reply Mail and the absence of sophisticated technological options, there presently are limits on the ability of the Postal Service to improve upon the standard method of accounting for such mail. The weight averaging method has allowed the Postal Service to streamline this postage due accounting process for this non-automatable mail, particularly for large volume reply mail accounts. When properly implemented, weight averaging significantly improves customer service, reduces postal costs, permits a reduction of fees assessed to customers, and protects postal revenues.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO PRESIDING OFFICER'S INFORMATION REQUEST

RESPONSE to POIR – page 2

As reflected in the Docket No. MC97-1 testimony of Postal Service witness Leslie Schenk (USPS-T-27), the Postal Service employs a variety of methods as alternatives to the traditional, manual piece-by-piece method of accounting for Business Reply Mail letters and cards. These alternatives include end-of-run bin counts on Bar Code Sorters, accounting performed through the application of Business Reply Mail Accounting System (BRMAS) software or local "home-grown" BRMAS-type software accounting programs, the use of special counting machines and, to a lesser degree, weight averaging. *See*, Docket No. R97-1, USPS Library Reference H-179, Table 13.

The Postal Service's Docket No. R97-1 QBRM accounting fee proposal reflected, for purposes of that case, that the Postal Service had yet to adequately isolate the different costs associated with alternative accounting methods for BRM letters and cards. As a consequence, the current 5-cent per-piece QBRM accounting fee is based upon on an average of the costs of various methods (*primarily manual piece counts*), notwithstanding the intuitive notion that there may be very significant cost differences among the various accounting methods employed for reply letters and cards.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO PRESIDING OFFICER'S INFORMATION REQUEST

RESPONSE to POIR -- page 3

In response to the Decisions of the Governors In Docket No. R97-1 (June 29, 1998), postal management has established two objectives. The first is to focus on improved utilization of machine- or automation-based QBRM accounting alternatives to the manual accounting method. The second is to examine whether the fixed and volume-variable costs of some alternative accounting methods can be isolated in a manner which would permit a refinement of the current "one-fee-fits-all" QBRM accounting scenario. Achievement of this second objective could allow for a de-averaging which produces a more fair and equitable alignment between the costs and fees for different types of QBRM letter/card recipients.

Given the relatively high degree of automation-compatibility of BRM letters and cards, the Postal Service is committed to more fully utilizing its capacity to perform automated or machine-based accounting, where appropriate. Particularly with higher-volume QBRM letter and card recipients, as each separate recipient's mail is isolated, the opportunity exists -- either during mail processing or in the accounting function -- to obtain a machine count of such mail, to a greater extent than is currently being done. In certain respects, weight averaging exists as an option which is available for letters and cards only after a particular recipient's mail has been processed and massed at a postage due unit and the opportunity to obtain machine counts has passed. Thus,

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO PRESIDING OFFICER'S INFORMATION REQUEST

RESPONSE to POIR – page 4

notwithstanding the success of the current experiment, the Postal Service's primary focus has not been to eliminate impediments to the extension of weight averaging to BRM letters and cards, but to improve the utilization of existing equipment and technologies which are known to be effective in accounting for such mail and to determine how to more closely align fees of these alternative methods with their costs.

The Postal Service has not determined whether weight averaging – which has proven to work effectively at a handful of sites for a handful of nonletter-size BRM recipients – could be rolled out effectively at the hundreds of sites where it could potentially be used for thousands of QBRM customers. There are numerous issues related to QBRM letter and card accounting by means of weight averaging, of the sort which were the subject of examination in the original phase of the nonletter-size BRM experiment, which would need to be resolved if weight averaging were to be highlighted as a basis for deaveraging the current QBRM accounting fee. The current nonletter-size BRM experiment has demonstrated the technical feasibility of weight averaging for nonletter-size BRM, but the differences between BRM letters and cards, on the one hand, and nonletter-size BRM, on the other, are sufficiently large that the Postal Service does not consider that it could automatically transfer the results and approaches proved in the current experiment to letters and cards.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO PRESIDING OFFICER'S INFORMATION REQUEST

RESPONSE to POIR – page 5

Given available methods for counting and rating BRM letters and cards, the Postal Service will continue to focus on making the most of those methods that develop piece counts in an automated fashion. We have not explored the operational feasibility of applying weight averaging to reply letters and cards with sufficient empirical rigor to reach any conclusions. As was the case before the nonletter-size BRM weight averaging experiment was proposed, little is known at Headquarters about the method(s) in which weight averaging is being applied in the field as a part of the accounting function for BRM letters and cards. We have not ruled out extending weight averaging to BRM letters and cards. However, before going down that path, we would need to determine whether the widespread promotion of weight averaging as a means of BRM letter and card accounting would undermine the pursuit of improved utilization of existing automated processing and accounting operations which are readily available and which should be more productively employed.

MR. HALL: I have no further questions.

CHAIRMAN GLEIMAN: Thank you, Mr. Hall.

Mr. Campbell, that completes today's appearance, and we thank you again for your contributions to the record. You are excused.

THE WITNESS: Thank you.

CHAIRMAN GLEIMAN: That brings us to what I think is our last witness of the day, and perhaps of this round of hearings. Mr. Tidwell.

MR. TIDWELL: Just deny me my opportunity to address the issue of redirect.

CHAIRMAN GLEIMAN: I apologize.

MR. TIDWELL: I don't have any, but --

CHAIRMAN GLEIMAN: Far be it from me to deny anyone's due process.

MR. TIDWELL: Believe me, I am in a bigger hurry than you to get out of here.

CHAIRMAN GLEIMAN: Well, let me backtrack here. You are not excused, Mr. Campbell. You are unexcused, Mr. Campbell.

Is there any follow-up?

[No response.]

CHAIRMAN GLEIMAN: Questions from the bench?

[No response.]

CHAIRMAN GLEIMAN: Redirect?

MR. TIDWELL: No.

CHAIRMAN GLEIMAN: Now, you are excused, Mr. Campbell.

[Witness excused.]

CHAIRMAN GLEIMAN: And thank you, Mr. Tidwell, yet again, for keeping me on the straight and narrow, to the best of your ability to do so.

If you call me Gleeman, I'll call you Reeter and we can call the witness -- we'll get the names straight, right?

MR. REITER: Our next witness is Louis Deitch and I believe that is consistent with the rule you cited.

CHAIRMAN GLEIMAN: Mr. Deitch, you are not under oath yet, so if I could just get you to stand for a moment, raise your right hand, do you swear or affirm that the testimony you are about to provide in this proceeding will be the truth, the whole truth and nothing but the truth?

THE WITNESS: Yes.

CHAIRMAN GLEIMAN: Please be seated.

Whereupon,

LOUIS DEITCH,

a witness, was called for examination by counsel for the United States Postal Service and, having been first duly sworn, was examined and testified as follows:

MR. REITER: Mr. Chairman, since the witness has

not previously provided written testimony in the proceeding -- oh, did I jump in too quickly?

CHAIRMAN GLEIMAN: No, no, no. I think we're fine. Counsel was just getting a spelling of a name. It is D-i-e --

THE WITNESS: D-e-i-t-c-h.

MR. REITER: Mr. Chairman, you were right and I was wrong, but maybe for reasons other than the ones we thought.

CHAIRMAN GLEIMAN: I want the record to show -- Mr. Deitch -- that I was handed your name erroneously.

THE WITNESS: Oh.

CHAIRMAN GLEIMAN: And that is why I commented on Mr. Reiter's name.

THE WITNESS: Oh, okay.

CHAIRMAN GLEIMAN: Mr. Reiter.

MR. REITER: I will try again, Mr. Chairman. Since the witness has not previously submitted direct testimony I thought it would be appropriate for me to ask him a couple questions in the nature of direct testimony to establish his expertise to deal with the topics I understood Mr. Levy was interested in.

CHAIRMAN GLEIMAN: Certainly. Please proceed.

DIRECT EXAMINATION

BY MR. REITER:

Q Mr. Deitch, would you tell us your -- the title of your position and the office in which you work in the Postal Service?

A I am an accountant in the National Accounting Office in Finance.

Q And could you describe the scope of your responsibilities in that capacity?

A I am responsible for accounting policies and procedures dealing with fixed assets.

Q And how long have you been working in that field in the Postal Service?

A 17 years.

MR. REITER: Thank you. That's all I have, Mr. Chairman, for now.

CHAIRMAN GLEIMAN: I don't believe there is any designated written cross examination or, for that matter, cross examination at this point that can be designated, so unless somebody calls me on that, Mr. Levy, you can proceed when you are ready.

MR. LEVY: Thank you, Mr. Chairman.

I would actually like to begin by designating into the record -- you can call me "Levvy" -- certain sets of documents that we indicated in our notice we would be cross examining on. They are not by this witness but they are either institutional or provided by Mr. Tayman with a

certification, and the Postal Service does not object to their being entered now, so if I may, I will describe them and then give two copies to the Reporter.

CHAIRMAN GLEIMAN: If you would please do that.

MR. LEVY: The first set are responses of Mr. Tayman to certain questions that were posed by various counsel during cross examination, and I am going to be moving in the one that was identified in volume -- a question that was posed on Volume 2, page 95, of the transcript by counsel for DMA, and a question on page 445-446 of the transcript that was posed by me, and then a question on page 473 of the transcript that was posed by me, and then that's it.

CHAIRMAN GLEIMAN: And the Postal Service has no objections to this material being entered as designated written cross examination?

MR. REITER: That is correct.

MR. LEVY: With that, I would ask that they be entered into the record as testimony and transcribed as written cross examination of I guess Mr. Tayman.

CHAIRMAN GLEIMAN: The designated written cross examination in question will be included in the record as evidence and transcribed.

[Additional Designation of Written Cross-Examination of William P.

Tayman was received into evidence and transcribed into the record.]

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAYMAN
TO QUESTIONS POSED DURING ORAL CROSS-EXAMINATION

Tr. 2/95

Counsel for the Direct Marketing Association requested that its interrogatory DMA/USPS-T9-58 be confirmed or corrected. The question was: "Please confirm that 475 L'Enfant Plaza, SW has a current assessed value of $76,779,000. If you do not confirm, please supply the correct value."

RESPONSE:

Confirmed.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAYMAN
TO QUESTIONS POSED DURING ORAL CROSS-EXAMINATION

Tr. 2/445-46

Counsel for the Alliance of Nonprofit Mailers asked:

(a) "The two examples you give, the mail cartridge system and the tray management system, the implementation problems for those two programs cause what share of the shortfall between planned commitments and actual commitments in 1997?"

(b) "Other than the Mail Cartridge System and the Tray Management System, which programs were not – investment programs were not performing as intended, and, therefore, were cut back?

RESPONSE:

(a) These two programs accounted for 34.6 percent of the shortfall between planned and actual commitments in FY 1997.

(b) The following are programs for which significant commitments were planned in Fiscal Year 1997, but for which funds were either not committed or were reduced:

PROGRAM	COMMITMENT
Street Management System (Enhanced Street Performance)	$400 million
BMC Overhaul	$100 million
Load Sleeve/Strapping Tray System	$120 million
Field Material Handling System	$113 million
Tray Management System	$482 million
Mail Cartridge System	$495 million

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAYMAN
TO QUESTIONS POSED DURING ORAL CROSS-EXAMINATION

Tr. 2/473

Counsel for the Alliance of Nonprofit Mailers asked for any workpapers of the independent auditors concerning Postal Service asset lives.

RESPONSE:

Our independent auditors, Ernest & Young, have provided the following information. Specific workpapers do not exist because no material issues or exceptions have been identified as a result of the audit procedures. The auditors have indicated that they perform a relatively high level review in relation to asset service lives. Their tests include review of the property code book to determine if any changes have been made to the various categories of personal property as well as review the categories for reasonableness of the service life estimates. In addition, the level of depreciation is evaluated and the gains and losses on disposition of assets is reviewed to determine unusual levels of either gains or losses that might indicate a need to refine service life estimates.

MR. LEVY: The second set are a set of institutional interrogatory answers that we received from the Postal Service yesterday. They are ANM/USPS-4 through 23, and we would ask that they be entered into evidence and transcribed into the record.

CHAIRMAN GLEIMAN: It is so ordered -- if you would please provide the copies to the Reporter.

[Further Additional Designated Written Cross-Examination, ANM/USPS-4 and the Postal Service's Response, was received into evidence and transcribed into the record.]

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS

ANM/USPS-4. Please confirm that, to determine the actual average service life of any vintage of Postal Service equipment, one must know how many units of that vintage were originally acquired. If you fail to confirm without qualification, please explain fully.

RESPONSE:

Confirmed.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS

ANM/USPS-5. Please confirm that, to determine the actual or historic survivor curve of any vintage of Postal Service equipment, one must know how many units of that vintage were originally acquired. If you fail to confirm without qualification, please explain fully.

RESPONSE:

Assuming a survivor curve is the same as average service life, confirmed.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS

ANM/USPS-6. Please confirm that, to determine the actual average service life of any vintage of Postal Service equipment, one must know how what fraction of that vintage (whether measured in units of equipment or dollars) are retired by year, from the year of original purchase (a) to the year in which the last unit is retired, or (b) to the present date, of some units of the vintage still remain in service. If you fail to confirm without qualification, please explain fully.

RESPONSE:

Confirmed.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS

ANM/USPS-7. Please confirm that, to determine the actual or historic survivor curve of any vintage of Postal Service equipment, one must know how what fraction of that vintage (whether measured in units of equipment or dollars) are retired by year, from the year of original purchase to the year in which the last unit is retired (or to the present date, of some units of the vintage still remain in service). If you fail to confirm without qualification, please explain fully.

RESPONSE:

Assuming a survivor curve is the same as average service life, confirmed.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS

ANM/USPS-8. Please confirm that Library Reference I-308, Material Provided in Responses to ANM/USPS-3, Motor Vehicle Reports, does not permit a third party to determine how many units in any vintage of motor vehicles were acquired by the Postal Service in any year before 1995. If you fail to confirm without qualification, please explain fully.

RESPONSE:

As previously stated in the response to ANM/USPS-3, information on vehicle dispositions is not available prior to Fiscal Year 1995.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS

ANM/USPS-9. Please confirm that Library Reference I-308, Material Provided in Responses to ANM/USPS-3, Motor Vehicle Reports, does not permit a third party to determine what fraction of any vintage of motor vehicles acquired by the Postal Service before 1995 has been retired. If you fail to confirm without qualification, please explain fully.

RESPONSE:

Please see the response to ANM/USPS-8.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS

ANM/USPS-10. Please confirm that Library Reference I-308, Material Provided in Responses to ANM/USPS-3, Motor Vehicle Reports, does not permit a third party to determine the actual average service life of any vintage of motor vehicles acquired by the Postal Service before 1995. If you fail to confirm without qualification, please explain fully.

RESPONSE:

Please see the response to ANM/USPS-8.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS

ANM/USPS-11. Please confirm that Library Reference I-308, Material Provided in Responses to ANM/USPS-3, Motor Vehicle Reports, does not permit a third party to determine the actual or historic survivor curve of any vintage of motor vehicles acquired by the Postal Service before 1995. If you fail to confirm without qualification, please explain fully.

RESPONSE:

Please see the response to ANM/USPS-8.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS

ANM/USPS-12. Please confirm that the entire set of documentation produced by the Postal Service in this case is insufficient to enable a third party to determine, for any vintage of motor vehicles acquired by the Postal Service before 1995, the (a) average actual service life of the vintage, or (b) the actual or historic survivor curve of the vintage. If you fail to confirm without qualification, please explain fully.

RESPONSE:

Please see the response to ANM/USPS-8.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS

ANM/USPS-13. Please confirm that Library Reference I-309, Material Provided in Responses to ANM/USPS-3, Personal Property Reports, does not permit a third party to determine how many units in any vintage of personal property the Postal Service acquired in any year before 1997. If you fail to confirm without qualification, please explain fully.

RESPONSE:

As already specified in the response to ANM/USPS-3, information on personal property dispositions is not available prior to FY 97.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS

ANM/USPS-14. Please confirm that Library Reference I-309, Material Provided in Responses to ANM/USPS-3, Personal Property Reports, does not permit a third party to determine what fraction of any vintage of personal property acquired by the Postal Service before 1997 has been retired. If you fail to confirm without qualification, please explain fully.

RESPONSE:

Please see the response to ANM/USPS-13.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS

ANM/USPS-15. Please confirm that Library Reference I-309, Material Provided in Responses to ANM/USPS-3, Personal Property Reports, does not disclose the retirements of any vintage of personal property in any year before or after 1997. If you fail to confirm without qualification, please explain fully.

RESPONSE:

The disposition reports for Fiscal Year's 98 and 99 were inadvertently omitted. The missing reports have been added to Library Reference I-309.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS

ANM/USPS-16. Please confirm that Library Reference I-309, *Material Provided in Responses to ANM/USPS-3, Personal Property Reports*, does not permit a third party to determine the actual average service life of any vintage of personal property acquired by the Postal Service. If you fail to confirm without qualification, please explain fully.

RESPONSE:

As previously stated in the response to ANM/USPS-3, the information needed to do so is not available.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS

ANM/USPS-17. Please confirm that Library Reference I-309, *Material Provided in Responses to ANM/USPS-3, Personal Property Reports*, does not permit a third party to determine the actual or historic survivor curve of any vintage of personal property acquired by the Postal Service. If you fail to confirm without qualification, please explain fully.

RESPONSE:

Assuming a survivor curve is the same as average service life, please see the response to ANM/USPS-16.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS

ANM/USPS-18. If you contend that the documentation collectively produced by the Postal Service in this case enables a third party to determine for the actual average service life of any vintage of personal property acquired by the Postal Service, please provide the following information:

a. Identify each such vintage by vintage year and by PCN or other identification of asset type.

b. Compute the actual average service life, with sufficiently detailed workpapers (including page and line citations to the relevant documents that have been produced) to enable a third party to replicate your calculations. (If you contend that the actual average service life can be computed for more than six vintages of assets, you may limit your calculations to a reasonably representative sample of six vintages.)

RESPONSE:

a.-b. Not applicable. Please see the response to ANM/USPS-16.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS

ANM/USPS-19. In response to ANM's request for any workpapers of the independent auditors concerning Postal Service asset lives (2 Tr. 473), the Postal Service states, inter alia, that its independent auditors, Ernst & Young, "have indicated that they perform a relatively high level review in relation to asset service lives."

a. Please define "relatively high level review."

b. Please specify (or estimate, if precise data are unavailable), how many professional-hours Ernst & Young spent reviewing the Postal Service's asset lives in each of the past three fiscal years. Please break down your response by the seniority level of the individuals performing the review.

c. Please identify (and produce, if not publicly available) the Postal Service records and documentation that Ernst & Young reviewed in the course of their "relatively high level review in relation to asset service lives."

d. Please cite the GAAP or other standards that Ernst & Young believe govern the level of detail and documentation required in a "relatively high level review" of "asset services lives" in these circumstances.

e. Please produce the standards responsive to part (d) (or provide citations, if the standards are publicly available).

RESPONSE:

a. A description of the high level review performed by the Ernst & Young Auditors has already been provided. See Responses of USPS Witness Tayman to Questions Posed During Cross-Examination, filed on April 19, 2000.

b. This information is proprietary to Ernst and Young and is not available to the Postal Service.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS

ANM/USPS-19. RESPONSE

c. The information reviewed by the auditors included the property and vehicle reporting systems from which the information provided in LR's I-224, 308 and 309 was obtained, as well as the general ledger.

d. Please see SAS No. 65 and 56, among others.

e. Please see the response to part d.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS

ANM/USPS-20. In response to ANM's request for any workpapers of the independent auditors concerning Postal Service asset lives (2 Tr. 473), the Postal Service states, inter alia, that its independent auditors, Ernst & Young, reviewed the "property code book." Please confirm that the "property code book" is the same document produced as USPS-LR-I-224, Personal Property and Motor Vehicle Asset Life Listing Provided in Response to ANM/USPS-T9-35. If you fail to confirm, please produce the "property code book."

RESPONSE:

Confirmed.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS

ANM/USPS-21. In response to ANM's request for any workpapers of the independent auditors concerning Postal Service asset lives (2 Tr. 473), the Postal Service states, *inter alia*, that its independent auditors, Ernst & Young, reviewed the "categories for reasonableness of the service life estimates."

(a) Please describe each check for "reasonableness" that Ernst & Young performed.

(b) If the check involved references to any data or documents other than the "property code book," please produce all such data and documents.

RESPONSE:

a - b. Please see response to ANM/USPS-19.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS

ANM/USPS-22. In response to ANM's request for any workpapers of the independent auditors concerning Postal Service asset lives (2 Tr. 473), the Postal Service states, *inter alia*, "the level of depreciation is evaluated" by Ernst & Young and "the gains and losses on disposition of assets is reviewed to determine unusual levels of either gains or losses that might indicate a need to refine service life estimates."

(a) Please identify (and produce, if not publicly available) all documents reviewed in the course of this "evaluation."

(b) Please identify all tests or benchmarks used by Ernst & Young to determine whether any gains or losses are sufficiently "unusual" to indicate a possible "need to refine service life estimates."

(c) Please state whether this evaluation process has led to revision of any service life estimates for the past three fiscal years. If so, please identify all such revisions.

RESPONSE:

a – b. Please see response to ANM/USPS-19.

c. No service life estimates have been revised during the past three fiscal years as a result of the audit evaluation process.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS

ANM/USPS-23. In response to ANM's request for a listing of other investment programs that were not performing as intended, and, therefore, were cut back (2 Tr. 445-46), the Postal Service has provided a list of six programs. Please produce all documentation concerning these six programs, and the reasons why funds were either not commitment or were reduced for them.

RESPONSE:

In 1997, in order to accelerate generative equipment projects, some programs were funded before the results of the prototypes were available. Subsequently, some of the non-piloted, prototyped equipment projects were delayed until test results could be included in the investment decision.

Below is the documentation available regarding each of the six programs referred to in the question:

1. Street Management System (Enhanced Street Performance (ESP)) – After many iterations, the project was incorporated into the Delivery Confirmation program, same scanners to achieve enhancements related to the delivery function.

2. BMC Overall – This is an ongoing program to examine and make recommendations for upgrading the BMCs across the country. Basically, the expenditure of funds is a timing issue as far as actual completion. The funds are controlled at Headquarters, with the Field requesting funds for projects within the Area for the BMCs. Therefore, actual expenditures are simply a timing issue relating to Headquarters' approval of requests from the Field.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS

ANM/USPS-23. RESPONSE

3. Load/Sleeve/Strapping Tray System – This project was delayed until testing could be completed and the results incorporated into the DAR. The project was approved this year.

4. Field Material Handling System – This project is similar to the BMC Overall program in that funds are held at HQ Engineering and are released as individual projects are submitted, which sometimes results in changes in anticipated timing.

5. Tray Management System – This project was suspended, and subsequently restarted on a smaller scale until the results from the 23 sites could be analyzed.

6. Mail Cartridge System – Although much research and development has been done in this area, the system has been delayed until it meets all requirements and can easily and cost-effectively be used.

CROSS EXAMINATION

BY MR. LEVY:

Q Mr. Deitch, do you have before you the interrogatory answers of Mr. Tayman?

A Yes, I do.

Q Would you, just to lay a context for what I am about to ask, turn to the answers to ANM/USPS-T9-7?

A I have that, yes.

Q And I am going to focus on part (f) of those answers. Will you let me know when you are there?

A Yes, I am there now.

Q In part (f) we asked for the factors relied on by the Postal Service in determining its asset lives that it assumed in its cost of service filing, and in response there are six bullets, is that correct?

A That's correct.

Q And then there is a sentence that follows the six bullets?

A That's correct.

Q And in the sentence is a reference to the audit conducted by our external auditors -- do you see that? It is the bottom of the page?

A That's correct.

Q And the external auditor in this case was Ernst & Young?

A That's correct.

Q Now would you turn to page -- I'm sorry, would you turn to the answer to the transcript oral question that was posed on page 243 -- I'm sorry, 473 of the transcript, and then answered by Mr. Tayman?

If you would let me know when you have that before you?

A I have that.

Q And the question that was posed was a request for any work papers of the independent auditors concerning Postal Service asset lives, and the response was that specific work papers do not exist, is that correct?

A That is correct.

Q And then it goes on in explanation.

A That is correct.

Q If you would keep that before you if you can while turning to the Postal Service's institutional response, a response to a question ANM/USPS-23 -- I'm sorry -- Number 19.

A I have that.

Q I want to focus on the meaning of the phrase "a relatively high level review" that appeared first in Mr. Tayman's answer and that we then tried to get some more explanation in Question Number 19.

Now, my understanding, in the corporate world, of

the term, high-level, as an adjective, is something like a synonym for relatively superficial or perfunctory, as opposed to detailed and intensive. Is that your understanding of the term?

A I'm not sure if that could be derived from this statement.

Q Well, do you understand what the term, high-level review was intended in Mr. Tayman's response?

A Well, the way I interpreted it, he indicated that they do review the property code book for any additions to that book, and also review gain or loss on sale, to see if there is any material gain or loss on the sale or disposal of property.

And I would look at that as a significant review from a financial accounting standpoint.

Q You don't know how many professional hours Ernst and Young spent on that task; do you?

A No, I do not.

Q And you don't know whether the review was performed by high-level or low-level personnel?

A I do not.

Q And Ernst and Young has refused to provide any workpapers for this, on the grounds that they're proprietary?

A I don't know the status of that right now.

Q Well, look at the response to Question 19(b). Would you take a look at that?

[Pause.]

A 19(d)?

Q 19(b) as in baby.

[Pause.]

A Well, then, I would say that that's a correct response.

Q Do you know why Ernst and Young said that that material, that information was proprietary?

A If Mr. Tayman indicated that he checked with Ernst and Young and they came back and said that that was proprietary, then I'm assuming that it is.

Q But you don't have any knowledge of why Ernst and Young claimed that it was proprietary?

A No.

Q Mr. Dietch, before testifying today, did you see a copy of ANM's request for cross examination with respect to this material?

A Yes.

Q And you understood that we would be asking questions about the backup for the depreciation lives?

A Yes.

Q And we indicated, didn't we, that we didn't care whether the witness was Mr. Tayman or somebody else; we just

wanted somebody who was knowledgeable about the subject?

A Yes.

Q Prior to testifying this afternoon, did you review this set of interrogatory answers?

A Yes, I did.

Q Did you inquire as to why Ernst and Young claimed that the information is proprietary?

A No.

Q Based on your experience as a client of Ernst and Young, that is an employee of a client of Ernst and Young, have you had any prior involvement with them in any of their previous audits of the Postal Service?

A No. Well, let me indicate that I have not been involved in the actual final decisions made on these proceedings.

I have submitted information to them, but I have not been involved in working closely with them, subsequent, or at the time they make their final presentation.

Q Have you had any involvement with Ernst and Young's audit of the depreciation lives?

A Yes. As far as their tests? Is that what you're talking about?

Q Yes.

A Yes, I have presented information to them, which they then analyzed, and determined whether our service lives

are accurate or not.

Q What information did you present?

A The personal property listings, the -- used the general ledger, and reviewed that, and I -- I, myself, do not compile the general ledger, but I do review some of the numbers.

Q Based on your involvement with Ernst and Young or the Postal Service, do you have any idea why Ernst and Young would have claimed that information on the amount of time and experience level of its auditors involved in the depreciation review would be proprietary?

A No.

Q Mr. Dietch, my law firm and many other professional service firms provide, on request, detailed listings in our bills of how much time is spent by each professional and the hourly rate.

Does the Postal Service request any such information from its outside vendors of services?

A I'm not aware of how that's handled.

Q You referred to ledger data that were provided to Ernst & Young for the audit, for depreciation life review process. The audit -- the ledgers would show what assets are on the books?

A That's correct.

Q They wouldn't show the average life of an asset,

would it?

A No.

Q It wouldn't show the survivor curve, would it?

A No, it would not.

Q Would you turn to the Postal Service's response to interrogatory ANM/USPS-8? It is that set of institutional questions that I just moved in.

A Okay.

Q You have before you Library Reference 309?

A That's correct.

Q I am not going to ask you any details about it, but I just want to follow up some of these questions about what they can or cannot show. Library Reference 308 and 309 don't allow the Commission or intervenors to tell how many units of an asset were acquired before 1995.

A That's correct.

Q And, likewise, doesn't allow anyone to tell, any outsider to tell what percentage of assets acquired before 1995 were retired before 1995, isn't that correct?

A That's correct.

Q And, likewise, the Library Reference 308 and 309 don't allow an outsider to tell what is the average service life of any asset acquired before 1995?

A That's correct.

Q And, likewise, doesn't permit one to tell what is

the survivor curve for any collection of assets of a particular vintage acquired before 1995?

A That's correct.

Q If you would turn, sir, back to the response to interrogatory T-9-7 part (f). And I want to focus your attention to this six bullets which were the factors that the Postal Service says it relied on in estimating its asset lives. The first one is manufacturer's recommendation, do you see that?

A That is correct.

Q And the Postal Service has provided us no documentation of any manufacturer's recommendations, has it, for service lives?

A That's correct.

Q Even though we twice asked for any such documentation in Question 7 and in Question 34?

A That's correct.

Q And the Postal Service has provided no documentation for the second bullet item, service standards?

A That's correct.

Q And the third item, USPS records on use of same or similar assets, what the Postal Service provided were Library Reference 308 and 309, is that correct?

A That's correct.

Q And information on gain or loss on sale of

property?

A That's correct.

Q That hasn't been provided, has it?

A No, sir. That is correct.

Q And maintenance standards, no documentation provided?

A That's correct.

Q And USPS accounting personnel judgment, that would be you and Mr. Tayman?

A That's correct.

MR. LEVY: No further questions. Thank you.

CHAIRMAN GLEIMAN: Is there any follow-up?

[No response.]

CHAIRMAN GLEIMAN: Questions from the bench?

[No response.]

CHAIRMAN GLEIMAN: Redirect?

MR. REITER: Could we have just a couple of minutes, please?

CHAIRMAN GLEIMAN: Certainly.

MR. REITER: Thank you.

[Recess.]

CHAIRMAN GLEIMAN: And do we have any redirect?

MR. REITER: There will be no redirect, Mr. Chairman.

CHAIRMAN GLEIMAN: If there is no redirect, then

you are excused. We appreciate your appearance here today and your contributions to our record.

[Witness excused.]

CHAIRMAN GLEIMAN: I believe, although I am not quite sure, that that concludes our first round of hearings in R2000. I suspect we still could get a motion from somebody asking for some witness or another to be recalled, but I hope not.

The hearings are adjourned until July 6th, when we will begin to hear testimony from intervenors.

I want to thank you all for your cooperation.

[Whereupon, at 4:37 p.m., the hearing was recessed, to reconvene Thursday, July 6, 2000.]