

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

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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

RESPONSE OF UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF  
THE OFFICE OF THE CONSUMER ADVOCATE  
(OCA/USPS-139-148)

The United States Postal Service hereby provides its responses to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-139-148, filed on May 4, 2000.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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May 18, 2000

**RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF  
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**OCA/USPS-139.** Please confirm that the figures supplied in response to OCA/USPS-122(d) (Table 1) include "start-up" expenses for each designated program." *Partial Objection of the United States Postal Service to Interrogatories of the Office of the Consumer Advocate (OCA/USPS-122(d) and (g)*, filed April 20, 2000. If you do not confirm, please provide revised figures that do include all start-up expenses. Please confirm that "start-up" expenses include all development expenses. If you do not confirm, please provide development expenses for the services listed in Table 1.

**Response**

Confirmed.

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**OCA/USPS-140.** Please explain why FY 1998 revenues and expenses were not supplied for Dinero Seguro and REMITCO. If such information is available, please supply it.

**Response**

The FY 1998 expenses were supplied for Dinero Seguro and REMITCO in Table 1 accompanying the response to OCA/USPS-122(d). The revenues could not be located when the original response was filed; the Postal Service continued to search for the information, although it was not apparent whether the information would eventually be found. Since then, the revenue amounts were located and they are provided below.

		FY 1998
Dinero Seguro	Operating Revenue:	7,094,957
	Operating Expense:	16,820,138
	Operating Income (Loss):	(9,725,181)
REMITCO	Operating Revenue:	4,029,730
	Operating Expense:	11,129,750
	Operating Income (Loss):	(7,100,020)

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**OCA/USPS-141.** Please refer to the response to OCA/USPS-124. In responding to this interrogatory, the Postal Service has not provided the information that it did for other services in the response to OCA/USPS-122(d). (Table 1).

- (a) Please provide equivalent information (by fiscal year, since development of the pilot test was first undertaken), for Post ECS. Include operating, start-up, and development costs.
- (b) State the date that the pilot test was initiated.
- (c) What are the Postal Service's estimates of the costs, revenues, and income/loss for Post ECS for the period of the test year FY 2001?

**Response**

- (a) Please see Table 1 that accompanies this and the following response.
- (b) FY 1999.
- (c) Please see Table 1 that accompanies this and the following response.

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**OCA/USPS-142.** Please refer to the response to OCA/USPS-126. In this response, the Postal Service states that prior to April 27, 2000, Electronic Postmark was in the pilot phase of development.

- (a) Please provide, by fiscal year, for the period of the Electronic Postmark pilot phase and development phase, the operating costs, revenues (if any), and income/loss. (This information should be equivalent to that provided in Table 1 of the response to interrogatory OCA/USPS-122(d) and should include operating, start-up, and development expenses.)
- (b) State the date that the Electronic Postmark pilot test was initiated.
- (c) What are the estimated operating expenses, operating revenues, and income/loss for the test year FY 2001?

**Response**

(a) Please see Table 1 that accompanies this and the previous response.

(b) FY 1996.

(c) To date, this information is not available.

Table 1

Response of United States Postal Service to Interrogatories  
of the Office of the Consumer Advocate  
OCA/USPS-141 and 142

		FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
<b>PosteCS</b>	Operating Revenue:	\$ -	\$ -	\$ -	\$ -	\$ 452,500	\$ 4,072,500
	Operating Expenses:	\$ -	\$ -	\$ -	\$ 2,906,000	\$ 5,098,667 1/	\$ 6,540,833
	Operating Income (Loss)	\$ -	\$ -	\$ -	\$ (2,906,000)	\$ (4,646,167)	\$ (2,468,333)
<b>Electronic Postmark</b>	Operating Revenue:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ NA
	Operating Expenses:	\$ 491,283	\$ 860,905	\$ 1,519,702	\$ 1,144,710	\$ 738,746	\$ NA
	Operating Income (Loss)	\$ (491,283)	\$ (860,905)	\$ (1,519,702)	\$ (1,144,710)	\$ (738,746)	\$ NA

1/ Amounts for FYs 1998 and 1999 are shown as one amount in FY 99

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**OCA/USPS-143.** What is the Postal Service's definition of a pilot test? In what way does it differ from the offering of a service?

**Response**

"Pilot test" is a term of description, not prescription. As such, it has no specific meaning necessarily exclusive to other forms of testing and its meaning can overlap with other terms used to describe an early phase of testing. It may involve tests with specific customers or with specific transactions. In the Mailing Online context, the pilot testing was conducted with internally generated test files. Thereafter, an operations test involved real customers who paid postage, but not printing fees. Under the proposal in PRC Docket No. MC2000-1, the market test is to be followed by an experiment, and then a permanent service offering. In other circumstances, a pilot test might follow an operations test. The terms "test of concept" could also denote a pilot, operations or market test.

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**OCA/USPS-144.** In Docket No. MC98-1, the Postal Service noted in its Request for a Recommended Decision on a Market Test Classification and Fee Schedule and an Experimental Classification and Fee Schedule for Mailing Online Service, filed July 15, 1998, at 2, that it was conducting an "operations test" at the time of the filing of the Request. Is an operations test the same as a pilot test? Please explain all similarities and differences between the two, and explain how they relate to a "market test."

**Response**

See the response to OCA/USPS-143. In the context of Docket No. MC98-1, a market test is one conducted only after approval by the Commission under the applicable rules, 39 C.F.R.3001.161 - 166.



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**OCA/USPS-145.** What are the criteria by which Postal Service management decides when it is necessary to file a Request for a Recommended decision with the Commission before offering a pilot test or an operations test of a postal service?

**Response**

There is no formal criteria by which Postal Service management decides when it is necessary to file a Request for a Recommended decision with the Commission before offering a pilot test or an operations test of a postal service. Each test is handled on an individual basis because the situational issues are different in each case. A test may be conducted to determine the viability of a completely new service, a modified or hybrid of an old service, or to explore a new area before the service has even been defined.

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**OCA/USPS-146.** Please list all of the pilot tests, operations tests, or similar development tests or experiments currently underway at the Postal Service that involve postal (or postal-type) activities.

- (a) Describe the type of activity involved.
- (b) For each such activity, state the date that the test was initiated and state whether it is a pilot test, an operations test, or other type of test.
- (c) For each such activity, state the amount of the development and start-up costs expended by the Postal Service, by fiscal year, and revenues received, if any.

**Response**

(a - c) The complete "list of all of the pilot tests, operations tests, or similar development tests or experiments currently underway at the Postal Service" is not available. The list of pilot programs provided in the response to OCA/USPS-122 (c) is the best list available. If the meanings can be defined as those used in proceedings before the Commission, the filings speak for themselves. If the meanings are truly general in nature, anything in research and development would be included and anything in the ebusiness area would be included.

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**OCA/USPS-147.** Please list all of the pilot tests, operations tests, or similar development tests or experiments currently underway at the Postal Service that involve nonpostal (or nonpostal-type) activities.

- (a) Describe the type of activity involved.
- (b) For each such activity, state the date that the test was initiated and state whether it is a pilot test, an operations test, or other type of test.
- (c) For each such activity, state the amount of the development and start-up costs expended by the Postal Service, by fiscal year, and revenues received, if any.

**Response**

See the response to OCA/USPS-146.

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**OCA/USPS-148.** Please refer to the response to OCA/USPS-127. Please present the detailed set of computations that resulted in the statement in the Compliance Statement (Attachment G to the R2000-1 Request for a Recommended Decision), Rule 54(h)(1) section, that: "The difference of \$31.1 million reduced the institutional costs borne by other postal services by that amount in FY 1998."

- (a) Separately break out and identify the total postal revenues, the total international mail revenues, and the total nonpostal domestic revenues that were used in the calculation.
  - (b) Separately break out and identify the total postal costs, the total international mail costs, and the total nonpostal domestic costs that were used in the calculation.
  - (c) State whether the "several services which could be considered nonpostal – such as insurance, C.O.D., and money orders" were treated as postal or nonpostal for the purpose of calculating the \$31.1 million "reduction" in institutional costs borne by "other postal services" in FY 1998. Also, what is meant by the phrase "other postal services?"
  - (d) The Compliance Statement, Rule 54(h)(1) reports that: "Identifiable costs reported for *some* nonpostal services were \$33.6 million in FY 1998." (Emphasis added).
    - (i) Why were the costs of only *some* nonpostal services taken into account? Why weren't *all* nonpostal service costs taken into account?
    - (ii) Please list each of the nonpostal services included in the phrase "some nonpostal services."
    - (iii) Please list each nonpostal service omitted by the phrase "some nonpostal services."
    - (iv) If *all* nonpostal service costs are taken into account, then is there still a resultant \$33.1 million reduction in institutional costs? Please re-do this calculation taking the costs of *all* nonpostal services into account.
  - (e) The Compliance Statement, Rule 54(h)(1) also reports that: "Reimbursements associated with provision of nonpostal services totaled \$64.7 million in FY 1998."
    - (i) Is the term "reimbursements" equivalent to the term "revenues?" Explain all similarities and differences.
    - (ii) List each nonpostal service included in the calculation of \$64.7 million of reimbursements for nonpostal services.
    - (iii) List each nonpostal service omitted from the calculation of \$64.7 million of reimbursements for nonpostal services.
  - (f) Please re-do the calculation required under Rule 54(h)(1) using the following guidelines:
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- (i) Separately determine the total costs of domestic nonpostal services, the total costs of international mail services, and the total costs of domestic postal services for FY 1998. State separately each total amount for the three types listed.
- (ii) Separately determine the total revenues and/or reimbursements of domestic nonpostal services, the total revenues and/or reimbursements of international mail services, and the total revenues and/or reimbursements of domestic postal services for FY 1998. State separately each total amount for each of the three types listed.
- (iii) Please treat all services, pilot tests, and operations tests over which the Postal Service has not requested from the Postal Rate Commission a new or changed classification or a new or changed rate/fee to be nonpostal services.
- (iv) For FY 1998, add together the total costs of domestic nonpostal services (including pilot tests and operations tests) and the total costs of international mail (including pilot tests and operations tests). Provide this figure.
- (v) For FY 1998, add together the total revenues/reimbursements of domestic nonpostal services (including pilot tests and operations tests) and the total revenues/reimbursements of international mail (including pilot tests and operations tests). Provide this figure.
- (vi) Then subtract (iv) from (v). What is the resulting difference?

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**Response**

(a & b) The following were used in the calculation:

	Revenue	Identifiable Expense
	(000)	(000)
<u>Direct Costs</u>		
Passport Applications		\$9,316
Migratory Bird Stamps		352
Selective Service Registration		188
<u>Indirect Costs</u>		
Passport Applications		4,211
Migratory Bird Stamps		159
Selective Service Registration		85
<u>Summary</u>		
Passport Applications	34,864	13,527
Migratory Bird Stamps	403	511
Selective Service Registration		273
Costs for Migratory Bird Stamps are not included above.		231 <sup>1</sup>
Retail Products	15,709	17,967
Phonecard sales	<u>13,743</u>	<u>1,307</u>
Total	64,719	33,816
Net		\$30,903

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<sup>1</sup> Costs for Migratory Bird Stamps were inadvertently omitted from the calculation in the compliance statement. Including the \$231(000) yields a net "reduction" in institutional costs of \$30.9 rather than the \$31.1 shown in the compliance statement.

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- (c) The "several services which could be considered nonpostal – such as insurance, C.O.D., and money orders" were treated as postal for the purpose of calculating the \$31.1 million "reduction" in institutional costs borne by "other postal services" in FY 1998. The phrase "other postal services" refers to all mail classes and special services provided in the testimonies of Ms. Meehan, Ms. Kay and Mr. Kashani.
- (d) (i) The costs of all nonpostal services are not available because it is not possible to isolate "all nonpostal service costs." Please see the response to OCA/USPS-T9-30 (redirected from witness Tayman). First, there is the problem of defining postal versus nonpostal; "such examples highlight the difficulties in addressing each and every nonpostal service offering within the wide spectrum of the Postal Service's offerings." Second, there is the problem that the Postal Service does not track costs in terms of postal versus nonpostal; [w]hile 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."
- (ii) Please refer to the response to parts (a & b) to this question for a complete list of the nonpostal costs.
- (iii) This is not available, please see the response to subpart (i) of this response.
- (iv) No applicable.
- (e) (i) For purposes of the calculation in the Compliance Statement, Rule 54(h)(1), the term "reimbursements" is equivalent to the term "revenues." The similarity is that these are incoming funds to the Postal Service. The difference is that "reimbursements" refers to funds received from other agencies for services provided

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by the Postal Service for the agencies' benefit, Passport applications and Migratory Bird Stamps. "Revenues" refers to funds received from customers for services provided by the Postal Service for the customers benefit, Retail products and Phonecards.

(ii) Please see the response to parts (a & b) of this question.

(iii) This is not available.

(f) (i - vi) The calculations are not available and cannot be made. Please see the responses to OCA/USPS-T9-30, 33, 36, and 37(all redirected from witness Tayman), and the response to part (d), subpart (i) of this response.



## CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

A handwritten signature in cursive script, appearing to read "Susan M. Duchek", is written above a horizontal line.

Susan M. Duchek

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