

ORIGINAL

Before the

UNITED STATES POSTAL RATE COMMISSION

In the Matter of: **POSTAL RATE AND FEE CHANGE**

Docket No. **R2000-1**

VOLUME 46-C

DATE: **Thursday, August 31, 2000**

PLACE: **Washington, D.C.**

PAGES: **20673-21076** *my 86*

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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

<u>Party</u>	<u>Interrogatories</u>
Advo, Inc.	ADVO/USPS-4, 9-10 MPA/USPS-5-8, 11-12 VP-CW/USPS-1-2 USPS-LR-I-329
Amazon.com, Inc.	UPS/USPS-52-55
American Bankers Association and National Association of Presort Mailers	ABA&NAPM/USPS-ST44-3, 7-8 redirected to USPS
Association for Postal Commerce	PostCom/USPS-ST43-6 (intro), a redirected to USPS
Association of Priority Mail Users, Inc.	APMU/USPS-T34-8a, c redirected to USPS APMU/USPS-ST44-1, 3-4 redirected to USPS DBP/USPS-10c OCA/USPS-ST44-12 redirected to USPS TW/USPS-6-10 UPS/USPS-20-22, 24, 28, 30-31 Response of USPS to Question Raised at Hearings on August 3, 2000 (Tr. 35/16807-8)
David B. Popkin	DBP/USPS-10c, 24-25, 28-36, 103, 127b, 129- 130, 131a, 132a, 133a, 134a, 180, 196, 204, 208d, 212, 218, 220, 234, 240-244, 254

District Photo, Inc., Mystic Color Lab & Cox Sampling	DMC/USPS-1-2
Douglas F. Carlson	DFC/USPS-66, 70, 72, 87-90, 95, 99-106, 111, 114 DFC/USPS-T39-36b, d redirected to USPS
Magazine Publishers of America	MPA/USPS-48-70 TW/USPS-6-10
Major Mailers Association	ABA&NAPM/USPS-ST44-1, 22-24, 26b-c, 28 redirected to USPS MMA/USPS-T24-23a-b redirected to USPS MMA/USPS-ST44-7b-c, 8-9 redirected to USPS MMA/USPS-ST46-1 redirected to USPS
McGraw-Hill Companies, Inc., The	MH/USPS-2-4
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Newspaper Association of America	UPS/USPS-16 POIR No. 12, Question 1
Office of the Consumer Advocate	MMA/USPS-ST44-7b-c redirected to USPS OCA/USPS-8, 120, 129-148 OCA/USPS-T24-6e redirected to USPS OCA/USPS-ST44-4, 8, 11e, 12, 33-34, 40j-k, 43- 44, 51-52 redirected to USPS Response of USPS to Question Raised at Hearings on August 3, 2000 (Tr. 35/16813, Tr. 35/16865-66) Response of USPS to Question Raised at Hearings on August 3, 2000 (Tr. 35/16830) Response to Commissioner Goldway's Request to Review Statements of OCA Witness Burns (Tr. 22/9789-91)
Parcel Shippers Association	PSA/USPS-ST44-1 redirected to USPS UPS/USPS-52-55

Postal Rate Commission

ABA&NAPM/USPS-4

APMU/USPS-T34-8a, c redirected to USPS

DBP/USPS-131a, 132a, 133a, 134a

UPS/USPS-T11-6a, 7, 13, 15 redirected to USPS

Notice of Filing Library Reference USPS-LR-I-460

Notice of Filing Library Reference USPS-LR-I-468
and I-471 and I-472

Notice of Filing Library Reference USPS-LR-I-469

Notice of Filing Library Reference USPS-LR-I-473

Notice of Filing Revised Library Reference USPS-
LR-I-467 and I-468

POIR No. 1, Questions 3 and 9

POIR No. 5, Question 10

POIR No. 15, Questions 2(a-b)

Response of USPS to Question Raised at
Hearings on August 3, 2000 (Tr. 35/16801-5,
16809 and 16810)Response of USPS to Question Raised at
Hearings on August 3, 2000 (Tr. 35/16807-8)Response of USPS to Question Raised at
Hearings on August 3, 2000 (Tr. 35/16813, Tr.
35/16865-66)Response of USPS to Question Raised at
Hearings on August 3, 2000 (Tr. 35/16830)Response of USPS to Question Raised at
Hearings on August 3, 2000 (Tr. 35/16830-31)Response of USPS to Question Raised at
Hearings on August 3, 2000 (Tr. 35/16833)Response of USPS to Question Raised During
Oral Cross-Examination of Witness Bradley (Tr.
6/2501-2)Response of USPS to Questions Posed by at
Hearings Commissioner Omas (Tr 17/6721-22,
6723)Response of USPS to Questions Posed During
Oral Cross-Examination (Tr. 2/571, Tr. 11/4522,
and Tr. 12/4921)Response of USPS to Questions Posed During
Oral Cross-Examination of Witness Fronk (Tr.
12/4894-5, 4907, 4951)Response of USPS to Questions Raised at
Hearings (Tr. 35/16382)

Postal Rate Commission

Response of USPS to Request Made at Hearings
on August 23 Regarding Budget Approval (Tr.
38/17176-78)

Response to Commissioner Goldway's Request to
Review Statements of OCA Witness Burns (Tr.
22/9789-91)

Response to Questions Posed at Hearings on
August 3, 2000 (Tr. 35/16793)

Ruling No. 116, Response

Ruling No. 116, Supplemental Response

Status Report Concerning Requests Made at
August 3, 2000 Hearing and Request for
Clarification

Stamps.com

Stamps.com/USPS-1-6

United Parcel Service

DFC/USPS-70

MPA/USPS-4

OCA/USPS-141-142

OCA/USPS-ST44-12 redirected to USPS

PSA/USPS-ST44-1 redirected to USPS

UPS/USPS-20-23, 25, 28-31, 38-43, 52

UPS/USPS-T5-28 redirected to USPS

UPS/USPS-T18-9 redirected to USPS

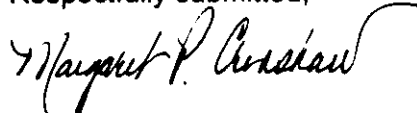
UPS/USPS-ST44-1-2 redirected to USPS

POIR No. 12, Question 1

Val-Pak Direct Marketing, Val-Pak
Dealers, & Carol Wright

VP-CW/USPS-1-2

Respectfully submitted,



Margaret P. Crenshaw
Secretary

INTERROGATORY RESPONSES OF
UNITED STATES POSTAL SERVICE
DESIGNATED AS WRITTEN CROSS-EXAMINATION

<u>Interrogatory</u>	<u>Designating Parties</u>
ABA&NAPM/USPS-4	PRC
ABA&NAPM/USPS-ST44-1 redirected to USPS	MMA
ABA&NAPM/USPS-ST44-3 redirected to USPS	ABA&NAPM
ABA&NAPM/USPS-ST44-7 redirected to USPS	ABA&NAPM
ABA&NAPM/USPS-ST44-8 redirected to USPS	ABA&NAPM
ABA&NAPM/USPS-ST44-22 redirected to USPS	MMA
ABA&NAPM/USPS-ST44-23 redirected to USPS	MMA
ABA&NAPM/USPS-ST44-24 redirected to USPS	MMA
ABA&NAPM/USPS-ST44-26b redirected to USPS	MMA
ABA&NAPM/USPS-ST44-26c redirected to USPS	MMA
ABA&NAPM/USPS-ST44-28 redirected to USPS	MMA
ADVO/USPS-4	Advo
ADVO/USPS-9	Advo
ADVO/USPS-10	Advo
APMU/USPS-T34-8a redirected to USPS	APMU, PRC
APMU/USPS-T34-8c redirected to USPS	APMU, PRC
APMU/USPS-ST44-1 redirected to USPS	APMU
APMU/USPS-ST44-3 redirected to USPS	APMU
APMU/USPS-ST44-4 redirected to USPS	APMU
DBP/USPS-10c	APMU, Popkin
DBP/USPS-24	Popkin
DBP/USPS-25	Popkin
DBP/USPS-28	Popkin
DBP/USPS-29	Popkin
DBP/USPS-30	Popkin
DBP/USPS-31	Popkin

DBP/USPS-32	Popkin
DBP/USPS-33	Popkin
DBP/USPS-34	Popkin
DBP/USPS-35	Popkin
DBP/USPS-36	Popkin
DBP/USPS-103	Popkin
DBP/USPS-127b	Popkin
DBP/USPS-129	Popkin
DBP/USPS-130	Popkin
DBP/USPS-131a	Popkin, PRC
DBP/USPS-132a	Popkin, PRC
DBP/USPS-133a	Popkin, PRC
DBP/USPS-134a	Popkin, PRC
DBP/USPS-180	Popkin
DBP/USPS-196	Popkin
DBP/USPS-204	Popkin
DBP/USPS-208d	Popkin
DBP/USPS-212	Popkin
DBP/USPS-218	Popkin
DBP/USPS-220	Popkin
DBP/USPS-234	Popkin
DBP/USPS-240	Popkin
DBP/USPS-241	Popkin
DBP/USPS-242	Popkin
DBP/USPS-243	Popkin
DBP/USPS-244	Popkin
DBP/USPS-254	Popkin
DFC/USPS-66	Carlson
DFC/USPS-70	Carlson, UPS
DFC/USPS-72	Carlson
DFC/USPS-87	Carlson
DFC/USPS-88	Carlson
DFC/USPS-89	Carlson
DFC/USPS-90	Carlson
DFC/USPS-95	Carlson
DFC/USPS-99	Carlson
DFC/USPS-100	Carlson
DFC/USPS-101	Carlson
DFC/USPS-102	Carlson

DFC/USPS-103	Carlson
DFC/USPS-104	Carlson
DFC/USPS-105	Carlson
DFC/USPS-106	Carlson
DFC/USPS-111	Carlson
DFC/USPS-114	Carlson
DFC/USPS-T39-36b redirected to USPS	Carlson
DFC/USPS-T39-36d redirected to USPS	Carlson
DMC/USPS-1	DMC
DMC/USPS-2	DMC
MH/USPS-2	McGraw-Hill
MH/USPS-3	McGraw-Hill
MH/USPS-4	McGraw-Hill
MMA/USPS-T24-23a redirected to USPS	MMA
MMA/USPS-T24-23b redirected to USPS	MMA
MMA/USPS-ST44-7b redirected to USPS	MMA, OCA
MMA/USPS-ST44-7c redirected to USPS	MMA, OCA
MMA/USPS-ST44-8 redirected to USPS	MMA
MMA/USPS-ST44-9 redirected to USPS	MMA
MMA/USPS-ST46-1 redirected to USPS	MMA
MPA/USPS-4	UPS
MPA/USPS-5	Advo
MPA/USPS-6	Advo
MPA/USPS-7	Advo
MPA/USPS-8	Advo
MPA/USPS-11	Advo
MPA/USPS-12	Advo
MPA/USPS-48	MPA
MPA/USPS-49	MPA
MPA/USPS-50	MPA
MPA/USPS-51	MPA
MPA/USPS-52	MPA
MPA/USPS-53	MPA
MPA/USPS-54	MPA
MPA/USPS-55	MPA
MPA/USPS-56	MPA
MPA/USPS-57	MPA
MPA/USPS-58	MPA
MPA/USPS-59	MPA

MPA/USPS-60	MPA
MPA/USPS-61	MPA
MPA/USPS-62	MPA
MPA/USPS-63	MPA
MPA/USPS-64	MPA
MPA/USPS-65	MPA
MPA/USPS-66	MPA
MPA/USPS-67	MPA
MPA/USPS-68	MPA
MPA/USPS-69	MPA
MPA/USPS-70	MPA
NNA/USPS-1	NNA
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-9	NNA
NNA/USPS-10	NNA
NNA/USPS-11	NNA
NNA/USPS-12	NNA
NNA/USPS-13	NNA
NNA/USPS-14	NNA
NNA/USPS-ST44-1 redirected to USPS	NNA
OCA/USPS-8	OCA
OCA/USPS-120	OCA
OCA/USPS-129	OCA
OCA/USPS-130	OCA
OCA/USPS-131	OCA
OCA/USPS-132	OCA
OCA/USPS-133	OCA
OCA/USPS-134	OCA
OCA/USPS-135	OCA
OCA/USPS-136	OCA
OCA/USPS-137	OCA
OCA/USPS-138	OCA
OCA/USPS-139	OCA

OCA/USPS-140	OCA
OCA/USPS-141	OCA, UPS
OCA/USPS-142	OCA, UPS
OCA/USPS-143	OCA
OCA/USPS-144	OCA
OCA/USPS-145	OCA
OCA/USPS-146	OCA
OCA/USPS-147	OCA
OCA/USPS-148	OCA
OCA/USPS-T24-6e redirected to USPS	OCA
OCA/USPS-ST44-4 redirected to USPS	OCA
OCA/USPS-ST44-8 redirected to USPS	OCA
OCA/USPS-ST44-11e redirected to USPS	OCA
OCA/USPS-ST44-12 redirected to USPS	APMU, OCA, UPS
OCA/USPS-ST44-33 redirected to USPS	OCA
OCA/USPS-ST44-34 redirected to USPS	OCA
OCA/USPS-ST44-40j redirected to USPS	OCA
OCA/USPS-ST44-40k redirected to USPS	OCA
OCA/USPS-ST44-43 redirected to USPS	OCA
OCA/USPS-ST44-44 redirected to USPS	OCA
OCA/USPS-ST44-51 redirected to USPS	OCA
OCA/USPS-ST44-52 redirected to USPS	OCA
PostCom/USPS-ST43-6 (intro) redirected to USPS	PostCom
PostCom/USPS-ST43-6a redirected to USPS	PostCom
PSA/USPS-ST44-1 redirected to USPS	PSA, UPS
Stamps.com/USPS-1	Stamps.com
Stamps.com/USPS-2	Stamps.com
Stamps.com/USPS-3	Stamps.com
Stamps.com/USPS-4	Stamps.com
Stamps.com/USPS-5	Stamps.com
Stamps.com/USPS-6	Stamps.com
TW/USPS-6	APMU, MPA
TW/USPS-7	APMU, MPA
TW/USPS-8	APMU, MPA
TW/USPS-9	APMU, MPA
TW/USPS-10	APMU, MPA
UPS/USPS-16	NAA

UPS/USPS-20	APMU, UPS
UPS/USPS-21	APMU, UPS
UPS/USPS-22	APMU, UPS
UPS/USPS-23	UPS
UPS/USPS-24	APMU
UPS/USPS-25	UPS
UPS/USPS-28	APMU, UPS
UPS/USPS-29	UPS
UPS/USPS-30	APMU, UPS
UPS/USPS-31	APMU, UPS
UPS/USPS-38	UPS
UPS/USPS-39	UPS
UPS/USPS-40	UPS
UPS/USPS-41	UPS
UPS/USPS-42	UPS
UPS/USPS-43	UPS
UPS/USPS-52	Amazon, PSA, UPS
UPS/USPS-53	Amazon, PSA
UPS/USPS-54	Amazon, PSA
UPS/USPS-55	Amazon, PSA
UPS/USPS-T5-28 redirected to USPS	UPS
UPS/USPS-T11-6a redirected to USPS	PRC
UPS/USPS-T11-7 redirected to USPS	PRC
UPS/USPS-T11-13 redirected to USPS	PRC
UPS/USPS-T11-15 redirected to USPS	PRC
UPS/USPS-T18-9 redirected to USPS	UPS
UPS/USPS-ST44-1 redirected to USPS	UPS
UPS/USPS-ST44-2 redirected to USPS	UPS
VP-CW/USPS-1	Advo, VP-CW
VP-CW/USPS-2	Advo, VP-CW
Notice of Filing Library Reference USPS-LR-I-460	PRC
Notice of Filing Library Reference USPS-LR-I-468 and I-471 and I-472	PRC
Notice of Filing Library Reference USPS-LR-I-469	PRC
Notice of Filing Library Reference USPS-LR-I-473	PRC
Notice of Filing Revised Library Reference USPS-LR-I-467 and I-468	PRC

POIR No. 1, Questions 3 and 9	PRC
POIR No. 5, Question 10	PRC
POIR No. 12, Question 1	NAA, UPS
POIR No. 15, Questions 2(a-b)	PRC
Response of USPS to Question Raised at Hearings on August 3, 2000 (Tr. 35/16801-5, 16809 and 16810)	PRC
Response of USPS to Question Raised at Hearings on August 3, 2000 (Tr. 35/16807-8)	APMU, PRC
Response of USPS to Question Raised at Hearings on August 3, 2000 (Tr. 35/16813, Tr. 35/16865-66)	OCA, PRC
Response of USPS to Question Raised at Hearings on August 3, 2000 (Tr. 35/16830)	OCA, PRC
Response of USPS to Question Raised at Hearings on August 3, 2000 (Tr. 35/16830-31)	PRC
Response of USPS to Question Raised at Hearings on August 3, 2000 (Tr. 35/16833)	PRC
Response of USPS to Question Raised During Oral Cross-Examination of Witness Bradley (Tr. 6/2501-2)	PRC
Response of USPS to Questions Posed by at Hearings Commissioner Omas (Tr. 17/6721-22, 6723)	PRC
Response of USPS to Questions Posed During Oral Cross-Examination (Tr. 2/571, Tr. 11/4522, and Tr. 12/4921)	PRC
Response of USPS to Questions Posed During Oral Cross-Examination of Witness Fronk (Tr. 12/4894-5, 4907, 4951)	PRC
Response of USPS to Questions Raised at Hearings (Tr. 35/16382)	PRC
Response of USPS to Request Made at Hearings on August 23 Regarding Budget Approval (Tr. 38/17176-78)	PRC
Response to Commissioner Goldway's Request to Review Statements of OCA Witness Burns (Tr. 22/9789-91)	OCA, PRC
Response to Questions Posed at Hearings on August 3, 2000 (Tr. 35/16793)	PRC

Ruling No. 116, Response	PRC
Ruling No. 116, Supplemental Response	PRC
Status Report Concerning Requests Made at August 3, 2000 Hearing and Request for Clarification	PRC
USPS-LR-I-329	Advo

United States Postal Service
Institutional

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORY OF ABA AND NAPM**

ABA&NAPM/USPS-4. According to the 1998 Comprehensive Statement on Postal Operations, at page 89, you intend to have "new indicators of quarterly cost and revenue by product" from the CRA system available in FY2000. When will the first quarterly report be available to the public? Will the first release include several quarters of FY1999 as well as the first quarter of FY2000?

RESPONSE:

The Postal Service is developing a process intended to provide quarterly product cost information to upper management. It is hoped that the effort would supply decision makers with an indication of which product costs might change in the near future. As the process is still under development, however, it is unknown at this time whether the exercise will result in information that appears to be reasonable enough to be useful.

In order to produce quarterly information in a timely manner, the Postal Service will take a number of shortcuts that are not taken in producing the annual (audited) CRA. We will not employ the careful checking and double checking of all inputs that characterizes our annual process. Special detailed studies used to adjust data coming from the annual systems will not be performed for the quarterly analysis. In the many cases of inputs that are not available by quarter, we will be forced to rely upon the previous year's annual input (quarterized). Quarterly accruals are not as accurate as annual ones. Cost totals for the cost segments are only approximately equal to those shown in the Revenue and Expense Report, and we do not reconcile these numbers on a quarterly basis. Moreover, information for each quarter will relate to a quarter in a postal fiscal year, and therefore information for the sum of the four quarters would

relate to a postal fiscal year, not the government fiscal year used for annual CRA reports.

Using such a process, we expect to provide management with quarterly product cost information. However, due to all of the limitations in the process discussed above, the Postal Service does not intend to issue these internal reports publically at any time in the future.

**Response of United States Postal Service
to Interrogatories of
American Bankers Association and
National Association of Presort Mailers
(Redirected from witness Patelunas, USPS-ST-44)**

ABA&NAPM/USPS-ST44- 1 .

Commission Order 1294 required the Postal Service to produce the impact of the revised base year on its case by July 7th and to present the impact of other cost change factors no later than July 21st. What the Service produced on July 7th, however, was only the combined impact of the change in base year along with all other cost change factors.

- a) Please present your testimony and the summary test year data accompanying it showing only the impact of your use of the actual FY 1999 CRA cost data.
- b) Please present LR-I-420, Section 2, pages 1-47, revised FCLM worksharing cost avoidance calculations showing only the impact of the change in base year on your test year numbers. Please present this information in a methodologically identical manner to that contained in USPS witness Miller's direct testimony (USPS-T-24), Appendix I, including but not limited to the inclusion of piggyback factors, not simply "direct costs only".
- c) Please confirm that in all mail processing cost pool estimates in LR-415, Folder SPTY99MP.XLS, revised cost pool estimates, you have omitted piggyback costs associated with direct labor costs in mail processing that were provided in your original filing in LR-I-81. If you can not confirm, explain why not.
- d) Please provide the revised test year unit mail processing costs by individual cost pool on a methodologically identical manner to your original filing in LR-I-81, including but not limited to the inclusion of piggyback costs as defined in the original filing. Please provide the information in two files: (1) revised numbers due to the revision of the BY to BY99 alone; (2) revised numbers due to the change in base year and all other cost change factors you have incorporated. Provide this information for each subclass and for each of the 11 other classifications used in LR-I-81, for example, F-C presort automated letters, F-C single piece metered letters, Standard A Regular letters, automated, etc.

Response:

**Response of United States Postal Service
to Interrogatories of
American Bankers Association and
National Association of Presort Mailers
(Redirected from witness Patelunas, USPS-ST-44)**

- a. This material is not available. It has not been prepared as part of the response to Order No. 1294.
- b. This material is not available. It has not been prepared as part of the response to Order No. 1294.
- c. Confirmed.
- d. This material is not available. It has not been prepared as part of the response to Order No. 1294.

**Response of United States Postal Service witness Patelunas
to Interrogatories of
American Bankers Association and
National Association of Presort Mailers**

ABA&NAPM/U SPS-ST44-3.

- a) Please confirm that in your revised filing in LR420, Folder PT7.XLS, the "total unit cost" over all weight ranges for First Class single piece letters has fallen by over one cent since your original filing in LR-I-91 revised, Section 1, page 1, from 20.5 cents to 19.1 cents. If you can not confirm, explain why not.
- b) Please confirm that in your revised filing in LR420, Folder PT7.XLS, the "total unit cost" for the first ounce of First Class single piece letters has fallen almost two cents since your original filing in LR-I-91 revised, Section 1, page 1, from 19.6 cents to 17.8 cents. If you can not confirm, explain why not.
- c) In light of your answers to a. and b. above, do you intend to pass these cost reductions through in a revised and lower rate for First Class single piece letter mail by one cent relative to your initial filing? If not, why not?

Response:

- a. Confirmed; however, the letters-only costs in LR-I-98 and LR-I-420 were not used for anything and should not be relied upon. The total costs are the only numbers which were intended to be used and they show the total First-Class Single-Piece costs to have risen from \$0.244 to \$0.248.
 - b. Confirmed. The cost of a letter weighing between 0 and 1 ounce shown in Section 7 of USPS LR-I-420 is \$0.178 which is lower than the cost of a single piece letter weighing between 0 and 1 shown in USPS LR-I-91. However, there are several reasons why this comparison is meaningless. First, the letters-only costs in USPS LR-I-420 were not used for anything and should not be relied upon. Second, the costs in USPS LR-I-420 were developed to show only the direct labor costs by weight increment. Indirect, "piggybacked" costs, were not distributed by function in UPS LR-I-420 in the same manner as they were in USPS LR-I-91. They were
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**Response of United States Postal Service
to Interrogatories of
American Bankers Association and
National Association of Presort Mailers**

(Redirected from witness Patelunas, USPS-ST-44)

captured in "other" costs and distributed on the basis of weight. "Other"

costs were not used in the calculation of final adjustments.

- c. Please see the response to OCA/USPS-St44-8.

**Response of United States Postal Service
to Interrogatories of
American Bankers Association and
National Association of Presort Mailers
(Redirected from witness Patelunas, USPS-ST-44)**

ABA&NAPM/USPS-ST-44-7.

Has there been any change from your original filing in the RCR Decision Analysis Report (LR-1-164) accept rates for RCR technology used in your test year forecasts, namely 69%? If so, please provide the revised number and all the documentation for the revised number on which it is based.

Response:

No.

**Response of United States Postal Service
to Interrogatories of
American Bankers Association and
National Association of Presort Mailers
(Redirected from witness Patelunas, USPS-ST-44)**

ABA&NAPM/USPS-ST44-8.

Please confirm there have been no changes in DPS percentages for First Class letters as between your original and revised filings. If you can not confirm, explain why not.

Response:

Confirmed

**Response of United States Postal Service
to Interrogatories of American Bankers Association and
National Association of Presort Mailers
(Redirected from witness Patelunas, USPS-ST-44)**

ABA&NAPM/USPS-ST-44-22.

Attached is a page from your case, L. R. 420, labeled "First-Class Letters Summary", page I-I.

- a) Please confirm that you have not updated any cost avoidance studies in your revised case as submitted on or around 7/21/00.
- b) Please confirm that column (5) of that page is labeled "Worksharing Related Savings".
- c) Please confirm that the numbers under that column heading are 2.093, 3.802, 0.597, 0.806 and 0.626 for, respectively, nonautomation presort letters, automation basic presort letters, automation 3-digit presort letters and automation 5-digit presort letters.
- d) Please confirm that the numbers in Column (3) of that page are identical to the unit delivery cost numbers provided in your original case as revised by witness Daniel.
- e) Please confirm that the numbers in columns (1) and (2) of that page differ from the numbers in Appendix i, page I-1, of USPS-T-24.
- f) Please confirm that a major source of the differences noted in d. above is that the page from L.R. 420 does not include mail processing piggyback costs, only direct unit labor costs, while the corresponding page from Appendix I, USPS-T-24 does include such piggybacks.
- g) Please confirm that the numbers referenced in b. do not measure cost avoidance for First Class workshared letters as determined in USPS-T-24, but only the "direct cost" (i. e. direct labor cost) element of cost avoidance.

Response:

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

**Response of United States Postal Service
to Interrogatories of American Bankers Association and
National Association of Presort Mailers
(Redirected from witness Patelunas, USPS-ST-44)**

- e. Confirmed.
 - f. Confirmed.
 - g. Not Confirmed. The costs in column 5 Total Worksharing
Related Savings include the original delivery costs which
included indirect costs.
-

**Response of United States Postal Service
to Interrogatories of American Bankers Association and
National Association of Presort Mailers
(Redirected from witness Patelunas, USPS-ST-44)**

ABA&NAPM/USPS-ST-44-23.

a) Please confirm that an "apples to apples" comparison (L.R.-I- 415 vs. L.R.-I-81) by cost pools for direct labor costs only, shows an increase in cost avoidance for alt mail processing costs and proportional costs compared to your original case as follows:

- i. total unit mail processing costs (all cost pools): +0.04
- ii. workshating related proportional costs (Miller method): +0.01

b) Please confirm that as aggregated and inputted into your final adjustments spreadsheet for TY2001, the changes in i. or ii. are the only information bearing on cost avoidance beyond your original case that are factored into your revised case.

Response:

a.-b. Not confirmed. As indicated in response to

ABA&NAPM/USPS-St-44-1, 5, 6, 12, 24 and 26 no estimates of cost avoidance have been prepared as part of the response to Order 1294.

**Response of United States Postal Service
to Interrogatories of American Bankers Association and
National Association of Presort Mailers
(Redirected from witness Patelunas, USPS-ST-44)**

ABA&NAPM/USPS-ST-44-24.

- a) Please confirm that in your revised case as submitted between early July and now pursuant to Commission Order #1294, it is your belief that you were not required to submit, nor was it your intent to submit, nor did you submit revisions to cost avoidances for First Class workshared mail, as the term cost avoidance is defined or measured in USPS-T-24.
- b) In your opinion, have you submitted any data with your revised case for any piggyback factors for mail processing using the USPS methodology that would enable either the Commission or intervenors to re-calculate unit cost avoidance numbers in a way identical to USPS-T-24, Appendix I, Page I-1 ?

In a way identical to LR-I-81, by individual cost pool? Please explain, including references to all source material.

- c) In your opinion, have you submitted any data with your revised case for any piggyback factors for mail processing using the PRC methodology that would enable either the Commission or intervenors to re-calculate unit cost avoidance numbers in a way identical to USPS-T-24, Appendix I, Page 1-1? In a way identical to LR-I-81, by individual cost pool. Please explain, including references to all source material.

Response:

- a. Confirmed. The Postal Service does not believe that revised cost avoidances for workshared First Class Mail were required by Order No. 1294.
- b. No.
- c. No.

**Response of United States Postal Service
to Interrogatories of American Bankers Association and
National Association of Presort Mailers
(Redirected from witness Patelunas, USPS-ST-44)**

ABA&NAPM/USPS-ST-44-26.

- a) Beyond the incorporation of actual 1999 CRA data (BY99) in your revised roll-forward model to TY2001 before final adjustments, what other cost adjustment factors are explicitly factored into the roll-forward model by year before final adjustments in (1) BY1999; (2) 2000; (3) TY2001?
- b) What cost adjustment factors are explicitly factored into the final adjustments for TY2001?
- c) If there are cost adjustment factors that are incorporated into both the roll-forward before final adjustments and the final adjustments, please explain why, or what elements of each such factor are applied to the two procedures.
- d) Please explain why direct costs only, without piggybacks, are all that is needed for your final adjustments in response to Commission Order # 1294.

Response:

- a.
 - b-c. None. As was the case in the original final adjustments, they are implicitly incorporated by the use of the C Report. They are not explicitly accounted for in any final adjustment models.
 - d. Order 1294 Final Adjustment piggyback factors were computed in USPS LR-I-414 and were used in USPS LR-I-419 and LR-I-420 as was consistent with the computation of final adjustments originally filed in USPS LR-I-97 and LR-I-98.
-

**Response of United States Postal Service to Interrogatories of
American Bankers Association and
National Association of Presort Mailers
(Redirected from witness Patelunas, USPS-ST-44)**

ABANAPM/USPS-ST44-28:

- a) Please confirm that as of July 28, 2000, you have not provided all of the piggyback data inputs in your revised case which would enable intervenors or the Commission to update your or their cost avoidance studies. If you cannot confirm, explain why not.
- b) Do you intend to submit these remaining piggyback inputs to the Commission?
- c) If your answer to b. is other than an unequivocal "No," will you submit these data inputs to the Commission prior to August 14th, the due date for filing by intervenors of testimony incorporating or rebutting the USPS July 7 and 21, 2000 revisions.

Response:

- a. Confirmed.
- b. No, both because of time and resource constraints, and because some of the models used to develop cost avoidances are not structured to be used with FY 1999 data.
- c. Not applicable.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF ADVO, INC.

20700

ADVO/USPS-4. For Foot deliveries made by city letter route carriers, please provide the most recent data (including that from any delivery redesign project) available on the following. Please also identify the source of all data.

(a) The average volume and weight delivered on a relay.

(b) A distribution of the total number of relays used to calculate (a) to the corresponding volumes and weights served. (The weighted average of volumes and weights per relay calculated from the distribution should equal the overall averages given in (a).)

RESPONSE:

(a) The following information is available from the Engineered Standards

Database provided by witness Raymond. (Please note the information requested in this question does not relate to the Work Sampling tallies provided to witness Baron.) The requested volume information is unavailable. The weight of mail delivered was not collected by relays. However, satchel weights were collected at the beginning of the relays on foot routes, loops for park and loop routes, and any other time the carrier used a satchel, as long as the data collector did not interfere with the carrier's duties. The average satchel weight collected was 11.3 pounds.

(b) The following information is available from the Engineered Standards

Database provided by witness Raymond. There were a total of 1270 occurrences of the satchels being weighed. An electronic spreadsheet with all the satchel weights for each occurrence data collected will be provided shortly as a Library Reference.

**RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF ADVO, INC.**

20701

ADVO/USPS-9 At page 27 of her testimony (USPS-T-10), witness Kingsley stated that "flats volume has grown" during the period from FY 1988 to FY 1998. During oral cross examination concerning this statement, she stated that:

"Again, the comparison was more '88 we didn't have -- of all our volume we didn't have as much flat volume as a portion of letters back then as we do in '98 or '99." Tr. 5/2111-2112.

However, the witness was unable to provide supporting data for these statements. Tr. 5/2112-2114. Please provide, from the Carrier Cost System (CCS) or other sources, the following information:

- (a) Total city carrier delivered volumes of (i) letters and (ii) flats in FY 1988, FY 1998, and FY 1999.
- (b) The percentages which (i) letters and (ii) flats represented of total city carrier delivered volumes in FY 1988, FY 1998, and FY 1999.
- (c) The average volume of city carrier delivered (i) letters and (ii) flats per actual delivery in FY 1988, FY 1998, and FY 1999.
- (d) If the information requested in part (c) is not available on an "actual delivery" basis, please provide the average volume information per possible delivery in FY 1988, FY 1998, and FY 1999.

If any of the above information comes from sources other than the CCS, please identify the sources and describe specifically what the volume information represents.

Response:

- a. Information for FY 98 is provided in USPS-LR-I-300. Similar information for FY 88 and FY 99 is not available. However, the response to ADVO/USPS-10, which includes information for FY 86, FY 89, and FY 98, strongly suggests that there have been material increases in total flats over the relevant period.

**RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF ADVO, INC.**

- b. Information for FY 88 and FY 99 is not available. However, the response to ADVO/USPS-10, which includes information for FY 86, FY 88, and FY 98, suggests, while there may or may not have been a slight decline, that there have not been any substantial changes in the proportion of residential delivery volumes which were flats, over the relevant period. It does support that the volume of flats, as a whole and as well as per stop, has increased.
- c. – d. The available information is presented in response to ADVO/USPS-10.

**RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY OF
ADVO, INC.**

ADVO/USPS-10. Please confirm that the following tables accurately present data on city delivery carrier pieces per actual stop for BY 1986 (from the LTV), BY 1989 (from the CCS), and BY 1998 (from the CCS). If you cannot confirm, please provide the correct information and specifically identify its sources.

SINGLE DELIVERY RESIDENTIAL – Pieces Per Actual Stop

	LTV BY 1986	CCS BY 1989	CCS BY 1998	Increase 98 v 96	Increase 98 v 89
Letters	3.405	3.552	3.979	16.9%	12.0%
Flats	1.248	1.249	1.386	11.1%	11.0%
Parcels	0.042	0.042	0.064	52.4%	52.4%
Accountables	0.006	0.008	0.008	33.3%	0.0%
Flats as a % of Letters	36.7%	35.2%	34.8%		

MULTIPLE DELIVERY RESIDENTIAL – Pieces Per Actual Stop

	LTV BY 1986	CCS BY 1989	CCS BY 1998	Increase 98 v 96	Increase 98 v 89
Letters	10.188	12.469	15.889	56.0%	27.4%
Flats	4.016	4.729	5.555	38.3%	17.5%
Parcels	0.108	0.138	0.258	138.9%	89.7%
Accountables	0.028	0.037	0.037	32.1%	0.0%
Flats as a % of Letters	39.4%	37.9%	35.0%		

RESPONSE:

Confirmed, with the following exceptions. SDR accountable pieces per stop equaled 0.009 in BY 1989 and 0.006 in BY 1998. Also, in BY 1998, MDR flats per stop equaled 5.554, MDR parcels per stop equaled 0.257, and MDR accountables per stop equaled 0.028.

Furthermore, the BY 1986 CCS is a more appropriate data source for BY 1986 pieces per stop than is the 1985 LTV data, since CCS 1986 data are

**RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY OF
ADVO, INC.**

directly comparable with the CCS 1989 and CCS 1998 data presented in the above tables. The new SDR and MDR tables that substitute 1986 CCS pieces per stop for the LTV-based pieces per stop are presented below. These tables also incorporate the corrections made to some of the pieces per stop measures, as noted in the previous paragraph.

SINGLE DELIVERY RESIDENTIAL – Pieces Per Actual Stop

	CCS BY 1986	CCS BY 1989	CCS BY 1998	Increase 98 v 86	Increase 98 v 89
Letters	3.791	3.552	3.979	5.0%	12.0%
Flats	1.180	1.249	1.386	17.5%	10.9%
Parcels	0.047	0.042	0.064	37.3%	51.8%
Accountables	0.0091	0.0090	0.0064	-30.5%	-29.6%
Flats as a % of Letters	31.1%	35.2%	34.8%		

MULTIPLE DELIVERY RESIDENTIAL – Pieces Per Actual Stop

	CCS BY 1986	CCS BY 1989	CCS BY 1998	Increase 98 v 86	Increase 98 v 89
Letters	11.760	12.469	15.889	35.1%	27.4%
Flats	4.209	4.729	5.554	32.0%	17.5%
Parcels	0.132	0.138	0.257	95.3%	86.8%
Accountables	0.0339	0.0368	0.0279	-17.5%	-24.1%
Flats as a % of Letters	35.8%	37.9%	35.0%		

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?

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:

a. (i) - (iii) See Attachment A.

c. (i) -(ii) See Attachment B.

(iii) PETE does not measure service performance for Priority Mail with a three-day service standard.

Attachment A to APMU/USPS-T34-8

EXFC Service Performance Data

FY	PQ	Service Standard (Days)	Percentage Delivered No Later Than:					
			On Time	One Day Late	Two Days Late	Three Days Late	Four Days Late	Five Days Late
1998	01	1	92.86	97.33	98.93	99.45	99.65	99.79
		2	78.88	93.62	97.52	98.82	99.36	99.61
		3	80.49	92.88	97.11	98.65	99.24	99.59
	02	1	92.66	97.30	98.82	99.41	99.64	99.76
		2	78.70	92.79	97.26	98.81	99.34	99.58
		3	74.24	89.71	95.66	97.90	98.86	99.45
	03	1	93.51	97.73	99.11	99.51	99.70	99.82
		2	86.06	95.77	98.38	99.23	99.60	99.76
		3	83.68	94.18	97.70	98.97	99.46	99.71
	04	1	93.02	97.50	98.88	99.47	99.69	99.81
		2	87.66	95.72	98.22	99.16	99.52	99.70
		3	86.44	94.81	97.85	99.09	99.53	99.73
1999	01	1	92.78	97.32	98.93	99.47	99.68	99.78
		2	86.47	95.54	98.22	99.15	99.55	99.72
		3	86.69	95.43	98.24	99.11	99.51	99.75
	02	1	93.15	97.40	98.97	99.47	99.69	99.81
		2	83.36	94.24	97.67	98.88	99.45	99.69
		3	79.18	91.14	95.94	97.97	98.81	99.36
	03	1	93.54	97.87	99.23	99.60	99.76	99.85
		2	86.89	96.21	98.69	99.40	99.67	99.80
		3	86.87	95.66	98.44	99.33	99.65	99.80
	04	1	93.74	97.94	99.10	99.55	99.74	99.84
		2	88.37	96.43	98.56	99.33	99.64	99.78
		3	88.12	95.91	98.41	99.31	99.62	99.80

Attachment B to APMU/USPS-T34-8

PETE Service Performance Data

FY	PQ	Service Standard (Days)	Percentage Delivered No Later Than:					
			On Time	One Day Late	Two Days Late	Three Days Late	Four Days Late	Five Days Late
1998	01	1	84.85	95.65	98.62	99.60	99.80	99.91
		2	69.50	90.34	96.84	98.82	99.56	99.76
	02	1	82.73	95.17	98.30	99.43	99.75	99.84
		2	60.77	83.66	93.38	97.39	98.89	99.43
	03	1	88.16	96.78	99.05	99.65	99.86	99.93
		2	75.86	92.84	97.55	99.03	99.61	99.81
	04	1	91.26	97.65	99.13	99.74	99.87	99.94
		2	82.88	95.13	98.22	99.36	99.79	99.89
1999	01	1	90.73	97.51	99.19	99.76	99.88	99.93
		2	82.53	95.37	98.65	99.54	99.79	99.89
	02	1	88.15	96.62	98.96	99.61	99.83	99.90
		2	67.21	87.46	94.65	97.53	98.85	99.36
	03	1	90.69	97.55	99.28	99.74	99.89	99.94
		2	80.00	94.48	98.32	99.42	99.78	99.91
	04	1	91.37	97.71	99.12	99.61	99.80	99.87
		2	84.62	95.82	98.71	99.54	99.80	99.89

**Response of United States Postal Service
to Interrogatories of the Association of Priority Mail Users
(Redirected from witness Patelunas, USPS-ST44)**

20708

APMU/USPS-ST44-1

Please refer to page 5, lines 22-24 of your testimony, USPS-ST44, where you state: "Priority Mail Processing Contract costs were increased from \$522 million to \$567 million. Additionally, Priority Mail Processing Contract costs were increase by \$123 million from \$472 million to \$595 million."

- a) Please explain whether both of these increase apply to the same fiscal year, and if so, which year. If not, to which fiscal year does each apply? If they are for different years, why is the increase in one year \$45 million, and \$123 million in the other year?
- b) (i) Were these payments made to Emery or some other entity? (ii) If to Emery, were these payments based on volume that was over and above the volume that was expected?
- c) If the answer to part B (ii) is not an unqualified affirmative, was any portion of these payment based on contract claims filed by Emery as previously identified in this docket in the response to APMU/USPS-T34-50? Please explain your answer.
- d) If the responses to parts b and c of this interrogatory do not account fully for all additional payments, please explain exactly what they were for.
- e) Were these payments required to be made under contract, or were they discretionary? If under contract, please identify and provide the relevant provision(s) of the contract. If discretionary, please explain why should they be deemed attributable costs and why they were attributed to Priority Mail.
- f) Please provide copies of all invoices, agreements, and other supporting documents confirming additional payments to Emery that are included in the additional costs identified in your response to part a.

RESPONSE:

- a. The amounts apply to different years. The "\$522 million to \$567 million" applies to test year 2001 and the "\$472 million to \$595 million" applies to FY 2000. This was corrected by witness Patelunas at the August 3, 2000 hearing. Tr.35/16618.
- b. (i) These are projected costs; they are not payments to any entity. (ii) Not applicable.

**Response of United States Postal Service
to Interrogatories of the Association of Priority Mail Users
(Redirected from witness Patelunas, USPS-ST44)**

20709

- c. Not applicable.
- d. Not applicable.
- e. Not applicable.
- f. Objection filed August 10, 2000.

**Response of United States Postal Service
to Interrogatories of the Association of Priority Mail Users
(Redirected from witness Patelunas, USPS-ST44)**

20710

APMU/USPS-ST44-3

- a. Does Emery provide air transportation services to the Postal Service other than in conjunction with the PMPC network? If so, please explain those services generally, and indicate the extent to which they are for mail other than Priority Mail.
- b. Were any of these additional contracting costs referred to on page 5, lines 23-24, of your testimony payments made to preserve the Postal Service's ongoing relationship with Emery? Please explain your answer. If so, why should they be attributed to Priority Mail?

RESPONSE

a. Yes, see response to APMU/USPS-T34-3 (redirected to the Postal Service). It is unclear what is meant by "service...for mail other than Priority Mail." It is a well established fact that virtually all types of air transportation (passenger air, Eagle, overnight WNET, daytime dedicated air, CNET etc.) carry classes of mail other than Priority Mail.

Emery provides many different types of air transportation including Eagle (under the ANET contract), passenger air (under an ASYS contract), daytime dedicated air (under separate contracts as well as the ANET contract), and some airlift in the weeks before Christmas (under still more separate contracts, as well as the ANET contract). Emery's air transportation is not limited to Priority Mail, so it is safe to assume that, like other similarly situated air carriers, the mix of mail carried by Emery includes First-Class Mail, Express Mail, Priority Mail, and some international air mail, as well as incidental amounts of other mail classes. The TRACS Eagle distribution key gives an indication of the extent to which classes of mail other than Priority Mail are carried on Eagle. The Postal Service does not have other distribution keys specific to Emery's other postal air contracts.

**Response of United States Postal Service
to Interrogatories of the Association of Priority Mail Users
(Redirected from witness Patelunas, USPS-ST44)**

20711

- b. These are projected costs; they are not payments.

**Response of United States Postal Service
to Interrogatories of the Association of Priority Mail Users
(Redirected from witness Patelunas, USPS-ST44)**

20712

APMU/USPS-ST44-4.

- a. There are published reports that, in May 2000, Nicholas Barranca, the Postal Service's Vice President for Operations Planning, distributed a memorandum to area vice presidents directing them to develop a strategy to transition the PMPC network back in house within a 90-day period. Please confirm the accuracy of these reports.
- b. Please explain your current understanding of efforts made to transition the PMPC back in house.
- c. Please confirm that the Postal Service is making preparations to cancel the PMPC contract with Emery and to hire Emery workers, and identify those preparations in detail. If you cannot confirm, please explain your understanding of efforts that have been made and are being planned to cancel the PMPC contract.
- d. Please confirm that preparations are underway to assume PMPC functions in house by October 1, 2000, and identify those preparations. If you cannot confirm, please explain your understanding of the efforts that have been made and that are being planned in this regard.
- e. If the Postal Service is planning to terminate the PMPC contract with Emery in the next few months, why should these costs be rolled forward into the test year?

RESPONSE:

- a. Confirmed that in May 2000, Nicholas F. Barranca, the Postal Service's Vice-President, Operations Planning and Processing distributed a memorandum to some area vice-presidents directing them to develop a plan to transition the PMPC network back in house. The area vice presidents were directed that a key assumption was that the transition must be completed within a 90-day period.
- b. As explained in the response to POIR 15, there are ongoing internal discussions and planning for a transition from the current network. However, to date, no decisions about the future network configuration have been made.

**Response of United States Postal Service
to Interrogatories of the Association of Priority Mail Users
(Redirected from witness Patelunas, USPS-ST44)**

20713

- c. Not confirmed. The Postal Service is evaluating the possibility of canceling the PMPC contract with Emery and hiring Emery workers. However, to date, no decisions about the future network configuration or staffing have been made.
- d. Not confirmed. The Postal Service is considering assuming the current PMPC network functions in house. However, to date, no decisions about the future network configuration have been made.
- e. Not applicable.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF DAVID B. POPKIN

DBP/USPS-10[c] Describe the method that is utilized by the Postal Service to process Priority mail for each of the following scenarios: [1] Originating and destinating within the same PMPC area / [2] Originating in one PMPC area and destinating in another PMPC area / [3] Originating in a PMPC area and destinating outside of the PMPC area, and [4] Originating outside of a PMPC area and destinating within a PMPC area. Other scenarios may be necessary to provide for a full description of the methods utilized. These descriptions should indicate when mail is transferred between the Postal Service and the contractor and, who is providing the transportation. For example, a possible response could be in the following format: Local post office sends mail to P&DC, P&DC delivers mail to originating PMPC, PMPC transports mail to destinating PMPC, mail is picked up from PMPC by local P&DC, and mail is sent to local post office.

Per Ruling R2000-1/44: "... provide Mr. Popkin with a reference to where up-to-date information about Priority Mail processing can be found and, in particular, any standards that are in place."

RESPONSE:

See response to UPS/USPS-T10-1, and Attachments A and B to this response.



April 27, 1999

MANAGERS, OPERATIONS SUPPORT (AREA)

SUBJECT: National Coordination Audit Priority Mail - New Operational Procedures

The Postal Inspection Service recently completed a national audit of Priority Mail operations. Key findings in the audit included recommendations to modify collection and mail preparation procedures for Priority Mail. Specifically, the finding stated that "opportunities exist for improving Priority Mail service by developing uniform instructions regarding the preparation and collection of mail." The report went on to state that inconsistencies in existing instructions and management's lack of communicating procedures to craft employees contributed to "...confusion among employees and impeded employees' effectiveness..."

As a result of these findings, headquarters has developed national guidelines for collecting and processing Priority Mail. The new guidelines are based on a process currently in use within the Priority Mail Processing Center (PMPC) network that has proven to be effective in streamlining operations. Simply stated, Priority Mail is to be separated by shape, by collectors, at the "screenline," at the Bulk Mail Entry Unit (BMEU) and by dock employees, along with the following procedures:

- Priority Mail flats will be placed into flat tubs
- Priority Mail parcels will be sacked (see exception below)
- Outsides (unsackable or over 35 lbs.) will be placed into rolling stock

All shapes can be placed into the same piece of rolling stock (preferably Eastern Region Mail Containers [EMRCs]) but not mixed with other classes of mail. If sufficient volumes are available, sackable parcels may be placed into ERMCS "unsacked" but only if the container is more than half full. Outsides may be placed on the top of the loose small parcels.

Offices that do not use rolling stock and typically receive only enough volume (all shapes) for one sack per day are exempt from the shape separation criteria and may mix shapes in the single sack.

The requirement to perform shape-based separations does not prohibit the current practice of making service-based separations (e.g., sacks at the retail counter). However, shape separations must also be maintained.

The new Priority Mail collection and processing guidelines build on long established concepts that collection and mail preparation operations contribute to the overall efficiency and effectiveness of mail processing.

The Postal Operations Manual (POM) and Handbook PO-415 establish the philosophy that is the basis for improving collection and mail preparation procedures.

- a) Allowing service commitments to be made
- b) Minimizing processing costs
- c) Maximizing the early arrival of mail to downstream operations
- d) Minimizing the amount of mail worked in manual operations
- e) Maximizing the amount of mail worked in automated operations

The shape separation requirement for Priority Mail is compatible with these principles.

To help communicate the new procedures to our employees, a series of "service talks" have been developed and copies are attached. Also attached is the latest policy for "Identified" Priority Mail. National guidelines for identifying Priority Mail flats in tubs are currently in the final review process. Distribution of the finalized document is expected in May.

The Postal Service is striving to become more responsive to customer needs. Enhancements like Delivery Confirmation and implementing a dedicated Priority Mail Network are evidence of the corporate commitment to the Priority Mail product line. Implementing updated Priority Mail collection and processing procedures makes sense and will contribute in a meaningful way towards our goal of increased customer satisfaction.


Walter O'Tormey
Manager, Processing Operations


Michael Spates
Manager, Delivery

Attachments

cc: Mr. Black
Mr. Rapp

**PRIORITY MAIL PROCESSING GUIDELINES
CARRIER & COLLECTOR
SERVICE TALK**

20717

Our corporate goal is to transform Priority Mail into a two-day time-definite product. Priority Mail accounted for more than \$4 billion of revenue in FY 1998. Providing consistent two-day time-definite delivery of Priority Mail will reward us with new and repeat business. The recent addition of the delivery confirmation feature has made Priority Mail even more competitive than before. Getting more package business will ensure the viability of the Postal Service and help to keep future rate increases below the rate of inflation.

Combining Delivery Confirmation and future enhancements such as electronic signature capture, will enable Priority Mail to become a world-class product able to compete successfully in the marketplace based on both service and price advantages! However, a lower price alone will not allow us to compete and grow Priority Mail volumes. We must be able to provide consistent, reliable service. To help improve our service, a network of ten Priority Mail Processing Centers (PMPCs) on the East Coast was established. Mail processed within the PMPC network has consistently exceeded our service performance goals. This high level of service is due in part to the implementation of standardized procedures used for collecting and distributing Priority Mail within the network. If some of these procedures are implemented nationally, we can positively impact service nationwide.

Therefore, to help meet our FY 99 Priority Mail goal of 87 percent on-time service new procedures for the collection and processing of Priority Mail outside the PMPC network have been developed. These procedures are intended to reduce cycle time and improve service and are not new to plants and delivery operations in the PMPC network.

Your role is simple. A shape-based separation needs to be made for Priority Mail as it is collected:

- Isolate "Identified" Priority Mail from other classes of mail
- Separate Priority Mail by shape – Flats, Small Parcels & Outsides

Separation by shape is important because it improves efficiency by reducing handlings and virtually eliminating the time needed to prepare the mail before it's directed to the proper distribution operation.

20718

The "rule-of-thumb" definition for the separation of shapes are as follows;

- A flat is caseable and up to 1 ¼ inches thick.
Flats will be placed into flat tubs – Not Sacks
- A parcel is sackable and is over 1 ¼ inches thick.
Parcels will be placed into sacks (see exception below)
- An outside is not sackable or is over 35 pounds or fragile or perishable or livestock.

Note: The definition for a flat is for offices not served by the PMPC network. Offices served by the network will continue to use the ¾ inch thick guideline for flats.

If sufficient volumes are available, sackable parcels may be placed into ERMCS "unsacked, but only if the container will be more than ½ full. Outsides may be placed on the top of the loose small parcels.

It's not necessary to measure each piece as you perform the separation. Based on your experience and knowledge it will be easy to separate mail that can be cased as a flat from mail that will be distributed as a parcel.

If your route returns to a delivery unit, place your Priority Mail separated by shape into the designated priority mail containers set up at your unit. DO NOT mix shapes at the delivery unit – flats must remain in flat tubs and parcels are to remain in sacks. However, the same piece of rolling stock (preferably ERMCS), can be used for all shapes. Containerization procedures described previously allow for sacks and flat tubs to be co-mingled in "major" containers. However, if sufficient volumes are available, separate containers (rolling stock) for flats and parcels should be provided. Your local management will determine if separate rolling stock for flats and parcels will be required.

If your route ends at a plant, off-load Priority Mail at the designated area on the platform. Mailhandlers will place the mail into the appropriate rolling stock for flats and parcels. DO NOT mix shapes at the dock.

Global Priority Mail

Global Priority mail will be dispatched in Express Mail containers to the local plant. This is not a change from existing procedures.

Target Mail

Stamped Priority Mail weighing 16 ounces or more, found in collection boxes or at collection points, is target mail and should be handled according to established procedures. These procedures remain unchanged and are not impacted by the new shape separation procedures for Priority Mail.

20719

Summary

You are our most important link to customers in both collecting and delivering the mail. To meet customer demands for improved service performance and remain competitive, we must improve the way Priority Mail is processed. Identifying Priority Mail, isolating it from other classes of mail and separating it by shape will provide our customers with the best value of any two-day time-definite product on the market today. If these simple shape separation procedures are followed, we will be able to achieve our goal of improving the service performance for Priority Mail, and continue to surpass the competition!

**PRIORITY MAIL PROCESSING GUIDELINES
PLANT OPERATIONS
SERVICE TALK
(For Clerks & Mailhandlers)**

20720

Our corporate goal is to transform Priority Mail into a two-day time-definite product. Priority Mail accounted for more than four billion dollars of revenue in Fiscal Year (FY) 1998. Providing consistent two-day time-definite delivery of Priority Mail will reward us with new and repeat business. The recent addition of the delivery confirmation feature has made Priority Mail even more competitive than before. Getting more package business will ensure the viability of the Postal Service and help to keep future rate increases below the rate of inflation.

Combining Delivery Confirmation and anticipated future enhancements such as electronic signature capture will enable Priority Mail to become a world-class product able to compete successfully in the marketplace based on both service and price advantages! However, a lower price alone will not allow us to compete and grow Priority Mail volumes. We must be able to provide reliable consistent service. To help improve our service, a network of ten Priority Mail Processing Centers (PMPCs) was established on the East Coast. Mail processed in the PMPC network has consistently exceeded our service performance goals. This high level of service is due in part to the implementation of standardized procedures used for collecting and distributing Priority Mail within the network. If some of these procedures are implemented nationally, we can positively impact service nationwide.

Therefore, to help meet our FY '99 Priority Mail goal of 87 percent on-time service, new procedures for the collection and processing of Priority Mail outside the PMPC network have been developed. These procedures are not new for plants within the PMPC network.

Your role is simple. A shape-based separation needs to be made for Priority Mail as it is identified at the dock or in mail preparation operations.

- Isolate "Identified" Priority Mail from other classes of mail
- Separate Priority Mail by shape - Flats, Small Parcels, and Outsides
- Placard "major containers" to identify them as containing Priority Mail

Separation by shape is important because it improves cycle time by reducing handlings and virtually eliminating the time needed to prepare the mail before it is directed to the proper distribution operation.

The "rule-of-thumb" definition for the separation of shapes are as follows:

- A flat that is caseable, capable of being processed on a Flat Sorter Machine (FSM) 1000, and is up to 1 ¼ inches thick.
Flats will be placed into flat tubs – Not Sacks
- A parcel that is sackable and is over 1 ¼ inches thick.
Parcels will be placed into sacks (see exception below)
- An outside that is not sackable, is over 35 pounds, fragile or perishable, or livestock.

20721

Note: The definition of a flat is for offices not served by the PMPC network. Offices served by the network will continue to use the ¾ inch thick guideline for flats.

If sufficient volumes are available, sackable parcels may be placed into Eastern Region Mail Containers (ERMCs) unsacked, but only if the container will be more than half full. Outsides may be placed on top of the loose small parcels.

It is not necessary to measure each piece as you perform the separation. Based on your experience and knowledge, it will be easy to separate mail that can be cased or processed as a flat from mail that will be distributed as a parcel.

Dispatch operations are to maintain the same previously described shape-based separations. Flats must remain in flat tubs and parcels are to remain in sacks. However, the same piece of rolling stock, preferably ERMCs, can be used for all shapes. Containerization procedures described previously allow for sacks and flat tubs to be commingled in "major" containers. However, if sufficient volumes are available, separate containers (rolling stock) for flats and parcels should be provided to enhance processing flows in downstream operations. Your local management will determine if separate rolling stock for flats and parcels will be required.

Global Priority Mail

Global Priority mail will be dispatched in Express Mail containers. This is not a change from existing procedures.

Target Mail

Stamped Priority Mail weighing 16 ounces or more, found in collection boxes or at collection points, is target mail and should be handled according to established procedures. These procedures remain unchanged and are not impacted by the new shape separation procedures for Priority Mail.

Summary

To meet customer demands for improved service performance and remain competitive, we must improve the way Priority Mail is processed. Identifying Priority Mail, isolating it from other classes of mail and separating it by shape will provide our customers with the best value of any two-day time-definite product on the market today. If these simple shape separation procedures are followed, we will be able to achieve our goal of improving the service performance for Priority Mail, and continue to surpass the competition!

**PRIORITY MAIL PROCESSING GUIDELINES
SERVICE TALK
(For Retail Clerks)**

20722

Our corporate goal is to transform Priority Mail into a two-day time-definite product. Priority Mail accounted for more than \$4 billion of revenue in Fiscal Year 1998. Providing consistent two-day time-definite delivery of Priority Mail will reward us with new and repeat business. The recent addition of the delivery confirmation feature has made Priority Mail even more competitive than before. Getting more package business will ensure the viability of the Postal Service and help to keep future rate increases below the rate of inflation.

Combining delivery confirmation and future enhancements such as electronic signature capture, will enable Priority Mail to become a world-class product able to compete successfully in the marketplace based on both service and price advantages! However, a lower price alone will not allow us to compete and grow Priority Mail volumes. We must be able to provide consistent, reliable service. To help improve our service, a network of ten Priority Mail Processing Centers (PMPCs) was established on the East Coast. Mail processed within the PMPC network has consistently exceeded our service performance goals. This high level of service is due in part to the implementation of standardized procedures used for collecting and distributing Priority Mail within the network. If some of these procedures are implemented nationally, we can positively impact service nationwide.

Therefore, to help meet our FY '99 Priority Mail goal of 87 percent on-time service, new procedures for the collection and processing of Priority Mail outside the PMPC network have been developed. These procedures are intended to reduce cycle time and improve service, and are not new to plants and delivery operations in the PMPC network.

Window clerks, often a customer's first contact with the Postal Service, need to promote Priority Mail to customers who want two-day service at a low cost. To meet demands for better service and remain competitive, we must make some changes in our acceptance and processing procedures.

Your role is simple. A shape-based separation needs to be made for Priority Mail as it is collected.

- Isolate "Identified" Priority Mail from other classes of mail.
- Separate Priority Mail by shape - flats, small parcels, and outsides.
- Encourage customers to use the free Postal Service Priority Mail packaging.
- If packages are already wrapped, make sure that the front and back sides are clearly identified with Priority Mail labels or tape.

Separation by shape is important because it improves efficiency by reducing handlings and virtually eliminating the time needed to prepare the mail before it's directed to the proper distribution operation.

20723

The "rule-of-thumb" definition for the separation of shapes are as follows:

- A flat that is caseable and up to 1 ¼ inches thick.
Flats will be placed into flat tubs – Not Sacks
- A parcel that is sackable and is over 1 ¼ inches thick.
Parcels will be placed into sacks (see exception below)
- An outside that is not sackable, is over 35 pounds, fragile or perishable, or livestock.

Note: The definition of a flat is for offices not served by the PMPC network. Offices served by the PMPC network will continue to use the ¾ inch thick guideline for flats.

If sufficient volumes are available, sackable parcels may be placed into Eastern Region Mail Containers (ERMCs) unsacked, but only if the container will be more than half full. Outsides may be placed on top of the loose small parcels.

It is not necessary to measure each piece as you perform the separation. Based on your experience and knowledge, it will be easy to separate mail that can be cased as a flat from mail that will be distributed as a parcel.

The same piece of rolling stock (preferably ERMCS) can be used for all shapes. Containerization procedures described previously, allow for sacks and flat tubs to be co-mingled in "major" containers. However, if sufficient volumes are available, separate containers (rolling stock) for flats and parcels should be provided. Your local management will determine if separate rolling stock for flats and parcels will be required.

Global Priority Mail

Global Priority mail will be dispatched in Express Mail containers to the local plant. This is not a change from existing procedures.

Target Mail

Stamped Priority Mail weighing 16 ounces or more, found in collection boxes or at collection points, is target mail and should be handled according to established procedures. These procedures remain unchanged and are not impacted by the new shape separation procedures for Priority Mail.

Summary

You are our most important link to retail customers. To meet customer demands for improved service performance and remain competitive, we must improve the way Priority Mail is processed. Identifying Priority Mail, isolating it from other classes of mail, and separating it by shape will provide our customers with the best value of any two-day time-definite product on the market today. If these simple shape separation procedures are followed, we will be able to achieve our goal of improving the service performance for Priority Mail and continue to surpass the competition!



January 4, 1999

MANAGERS, OPERATIONS SUPPORT (AREA)

SUBJECT: Unidentified Priority Mail Processing Policy

Forthcoming classification and rate changes make it necessary to update the policy defining "unidentified" Priority Mail. Effective January 10, 1999, the maximum weight for First-Class Mail will move from 11 ounces or less to pieces weighing 13 ounces or less. As a result, unidentified Priority Mail will now be defined as mailpieces weighing more than 13 ounces without appropriate identifiers (e.g., Label 107, Label 228, EP-14F, EP-13C, or other Postal Service provided packaging or labels) or without the words "Priority" or "Priority Mail" marked on the address side of the mailpiece.

Processing plants should not place unidentified Priority Mail into orange Priority Mail sacks or other Priority Mail containers. Unidentified Priority Mail should be processed and distributed in the First-Class mailstream.

For example:

- Mail found in the collection stream without Priority Mail identification should not flow to the Priority Mail operations or the Priority Mail Processing Center (PMPC) network.
- Unidentified Priority Mail found in downstream First-Class operations should remain in those operations.

The PMPC network was not established to process unidentified Priority Mail. Therefore, as indicated in Standard Operating Procedures (SOPs) established by PMPC network management, processing plants should not intentionally send unidentified Priority Mail to the PMPC. The contract with Emery Worldwide is written to accommodate processing of small amounts of unidentified Priority Mail that leaks into the PMPC network so that mail is not delayed. Processing plants and post offices will make every effort to only send identified Priority Mail to the PMPCs.

The Domestic Mail Manual (DMM) Section 1.4, clearly states that, "The marking of 'Priority' or 'Priority Mail' must be placed prominently on the address side of each piece of Priority Mail."

20725

However, there may be *exceptional* situations where large volume mailers inadvertently deposit mail without proper "markings," labels, or packaging but have applied sufficient postage or a permit indicating Priority Mail fees were paid. When requested, we should accommodate these customers and process their originating mail in our Priority Mail processing and distribution networks. Mailers should be informed service may be impacted and downstream facilities will not be able to guarantee that the mailing will be processed in Priority Mail operations.

The identification of individual Priority Mail pieces is critical to our service improvement initiatives, and we should continue to work with our marketing and retail partners to find sensible business solutions.

These updated procedures are intended to balance operational needs with customer expectations. Please pass this information onto the field.



John A. Rapp

cc: Mr. Black
Mr. Moden
Mr. O'Tormey
Mr. Pajunas

COMPELLED RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF DAVID B. POPKIN

DBP/USPS-24. With respect to Shipping Online, ... [b] Please confirm the following notice appears in the shipping process, "Note: Insurance is provided by a non-USPS carrier". [c] Please confirm that the name of the insurance carrier is U-Pic.

RESPONSE:

Shipping Online is currently between versions, but has been and will be available.

Insurance for Shipping Online is provided via a third party provider. Shipping Online is not a special service. It is a channel – comparable to window service – for Internet access to DMCS products, by which customers can prepare Express and Priority Mail for mailing and pay postage. Features include:

- Accepting payment online
- Preparing shipping labels
- Ordering shipping supplies
- Calculating postage
- Checking address accuracy
- Creating an address book
- Confirming Priority Mail® delivery
- Tracking Express Mail® packages
- Researching post office and drop-off locations.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF DAVID B. POPKIN

20727

DBP/USPS- 25. Regarding all of the recent publicity about the incorrect street number on Census Bureau mailings, [a] Advise the total additional cost, if any, to the Postal Service to process this mail. [b] Does the address on the mail contain a ZIP Code and if so, is it a 5-digit or 9-digit code? [c] Does the ZIP Code match the correct address or the address as printed on the mail [namely, with the extra digit in front of the true number]? [d] Is the mail barcoded? [e] If so, what is the length of the barcode? [f] Does the barcode match the correct address or the address as printed on the mail [namely, with the extra digit in front of the true number]? [g] If the letters are barcoded with the last two digits of the street number, does this create an erroneous barcode for single-digit street numbers? [h] With respect to any mail that contains a correct barcode, will it be processed to the barcoded address regardless of the printed address appearing on the mail? [i] Explain the algorithms that are utilized when incorrect addresses are being analyzed on automated equipment to arrive at a correct barcode for the mail. For example, would a letter addressed to Englewood NY 07631 be sent to New Jersey since two out of the three parts of the address indicate that or would it also check to see that the street address was also a valid Englewood NJ address?

Response:

(a) – (f) Objection filed and sustained.

(g) No. The encoding rules for single digit addresses is to put a "0" in front of the number for the required two digit add-on.

(h) The BCSs will sort based on the barcode regardless of the printed address on the mail. The Census Bureau mailing contained the correct city, state and street name. However, in instances where the city or state does not match the sortation bin based on the sort from the non-matching barcode, sweepers may catch the error. Otherwise, manual operations sort based on the address.

(i) The OCR does a city, state, and ZIP Code comparison. In your example with the correct ZIP Code and city and incorrect state, the OCR would code to the City and ZIP Code since they match, thereby "correcting" the incorrect state.

COMPELLED RESPONSES OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF DAVID B. POPKIN

DBP/USPS-28. The reverse side of the Customer Copy of the Express Mail receipt Label 11-B provides the conditions for refunding the postage for those instances where overnight delivery is scheduled and is not accomplished.

[a] Does this also apply to Second Day Express Mail where delivery is not accomplished by the second day after mailing? If so, why doesn't the receipt indicate so?

[b] The back of the receipt indicates that refunds will not be made when detention was made for a law enforcement purpose. What types of activities would fit into that category? What section of the DMM authorizes that additional condition?

Response:

a) See DMM section D500.1.3

b) See DMM Section S500.2.1, citing Administrative Support Manual 274.

COMPELLED RESPONSES OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF DAVID B. POPKIN

20729

DBP/USPS-29. May Express Mail [Next Day and Second Day Service] be mailed at all postal facilities within all of the ZIP Codes listed on pages 11-34 through 1 I-36 of the 1999 National Five-Digit ZIP Code and Post Office Directory, other than the three specific ranges shown as military - main offices, stations, branches, rural carriers, and other points at which other classes of mail may be tendered - during their normal office hours? If not, provide any exceptions either by category or by specific office[s].

Response:

See DMM section D500.2.

COMPELLED RESPONSES OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF DAVID B. POPKIN

20730

DBP/USPS-30. May Express Mail [Next Day and Second Day Service] be addressed to all valid addresses within all of the ZIP Codes listed on pages 11-34 through 11-36 of the 1999 National Five-Digit ZIP Code and Post Office Directory, other than the three specific ranges shown as military? If not, provide any exceptions either by category or by specific office[s].

Response:

See the following DMM sections:

E500.4.1

E500.5.1

E500.5.2

E500.6.3

COMPELLED RESPONSES OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF DAVID B. POPKIN

20731

DBP/USPS-31.

[a] Confirm, or discuss and explain if you are unable to do so, that all postal facilities that accept Express Mail as noted in the response to DBP/USPS-29 have a listing of those 3-digit ZIP Code prefixes for which Next Day delivery will be achieved.

[b] Confirm, or discuss and explain if you are unable to do so, that all postal facilities that accept Express Mail as noted in the response to DBP/USPS-29 have a cutoff time, established by the Postmaster by which Express Mail must be presented to achieve Next Day delivery.

[c] Must there be a reasonable minimum amount of time from the opening of the retail window service to the cutoff time to allow for mailers to deposit Express Mail on that day in order to achieve Next Day delivery? If not, why not?

[d] If a facility has an cutoff time as noted in DMM E500.5.3 for Next Day service that is after 5 PM, must the time noted in DMM E500.6.2 for Second Day service be equal to or later, but not earlier than, the Next Day cutoff time? If not, why not?

[e] Confirm, or discuss and explain if you are unable to do so, that an Express Mail article may be mailed at any facility noted in response to DBP/USPS-29 at any time that there are retail window service hours.

Response:

To the extent these matters are covered in the DMM, please see section D500.2.0.

COMPELLED RESPONSES OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF DAVID B. POPKIN

20732

DBP/USPS-32.

[a] With respect to whether or not the Next Day Service will be achieved by 12 Noon or 3 PM, is this a function of the dispatching office, the delivery office, or both?

[b] What criteria are utilized to make this determination?

[c] Does it apply all days of the year? If not, what are the exceptions?

[d] Does the same time of the day apply equally to Next Day and Second Day service? If not, please explain.

Response:

There are no applicable DMM citations.

COMPELLED RESPONSES OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF DAVID B. POPKIN

20733

DBP/USPS-33. For this interrogatory, the following assumptions apply:

1. The article will be deposited at a facility as noted in the response to DBP/USPS-29.
2. The article will be addressed to an address noted in the response to DBP/USPS-30.
3. The window hours for this post office are 8 AM to 6 PM.
4. The cutoff time for Express Mail Next Day Delivery service is 2 PM.
5. The list refers to those 3-digit ZIP Codes that are designated for overnight service.
6. The time of 10 AM was chosen to represent a time both before the 2 PM cutoff time and before 5 PM as noted in DMM Section E500.6.2 and can be as early as 12:01 AM; the time of 3 PM was chosen to be after the 2 PM cutoff time but before the 5 PM as noted in DMM E500.6.2 and before the close of window service hours or other ability to mail the article and may be as late as 12 Midnight; the time of 5:30 PM was chosen to be after the 5 PM as noted in DMM E500.6.2 and after the 2 PM cutoff time but before the close of window service hours or other ability to mail the article and may be as late as 12 Midnight.

[If the choice of time is significant, please explain in your response]

7. All articles are mailed on Day 0 which for convenience will be noted as Monday [if the choice of day is significant, please explain in your response] Please confirm, or explain and discuss if you are unable to confirm, that articles mailed as noted will receive a refund if they are not delivered by the time shown [other than for the exceptions shown in DMM E500.5.3 and 6.21:

[a] Mailed Monday at 10 AM destined for an office on the list - will be delivered by 12 Noon or 3 PM Tuesday.

[b] Mailed Monday at 3 PM destined for an office on the list -will be delivered by 12 Noon or 3 PM Wednesday.

[c] Mailed Monday at 5:30 PM destined for an office on the list - will be delivered by 12 Noon or 3 PM Wednesday.

[d] Mailed Monday at 10 AM destined for an office that is not on the list - will be delivered by 12 Noon or 3 PM Wednesday.

[e] Mailed Monday at 3 PM destined for an office that is not on the list - will be delivered by 12 Noon or 3 PM. Wednesday.

[f] Mailed Monday at 5:30 PM destined for an office that is not on the list - will be delivered by 12 Noon or 3 PM Thursday.

Response:

See DMM sections P014.5.0 and S500.2.0 regarding refunds of postage.

COMPELLED RESPONSES OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF DAVID B. POPKIN

20734

DBP/USPS-34.

[a] Confirm, or explain if you are unable to do so, that Express Mail will be delivered all 365/6 days a year.

[b] Confirm, or explain if you are unable to do so, that Express Mail may be addressed to any authorized type of address, including, but not limited to, city delivery street address, post office box, General Delivery, Rural Route / HCR Route in the RR 2 Box 123 format, and Rural Route / HCR Route in the city delivery type format [123 Main St].

Response:

a) There are no applicable DMM citations.

b) See DMM section 500.

COMPELLED RESPONSES OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF DAVID B. POPKIN

20735

DBP/USPS-35.

[a] Confirm, or explain if you are unable to do so, that for Express Mail articles other than those addressed to a Post Office Box or General Delivery, an actual physical attempt at the addressee's location must be made prior to the guaranteed time or it will be considered a failure [and thus a refund of postage may be obtained] unless it meets one of the two exemptions in DMM Section E500.5.3/6.2 a and b.

[b] Confirm, or explain if you are unable to do so, that Express Mail which is addressed to a Post Office Box or General Delivery will constitute a failure if the addressee does not have access to the post office box and/or the ability to claim the article such as might occur if the box section was closed or the notice of arrival was placed in the box but it was not possible for the addressee to claim the mail.

[c] Confirm, or explain if you are unable to do so, that contacting an addressee by telephone or by requiring an addressee to pick up their Express Mail at a facility would constitute a failure [other than PO to PO service].

[d] May Post Office to Post Office Service be sent to all post offices in the areas as noted in response to DBP/USPS-30? If not, provide a listing of all offices to which it may be sent.

[e] Confirm, or explain if you are unable to do so, that the guaranteed delivery times for both PO to Addressee and PO to PO will be the same areas - both overnight and second day.

[f] Clarify DMM Section E500.6.4 - if a PO-PO Express Mail article is sent to a second day area on a Saturday, will delivery be guaranteed on Monday or Tuesday [assume the delivery office is closed on Sunday and 12.open the other six days of the week - is delivery made on the second business day after mailing - Tuesday in this case - or is it delivered on the first business day which is on or after the second day - Monday in this case]?

Response:

a-f) Service failures can be ascertained by comparing the recorded information on Express Mail Label B-11 in the boxes for "Day of Delivery" and "Delivery Attempt" and/or "Delivery Date".

COMPELLED RESPONSES OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF DAVID B. POPKIN

20736

DBP/USPS-36. With respect to the delivery of Express Mail, do regulations or Headquarters directives mandate each of the following and/or discuss its applicability [please provide copies of the directives and/or citation of the regulation]:

[a] Should delivery be made as early as convenient or is anytime prior to the guaranteed delivery time satisfactory?

[b] Should city delivery carriers deviate from their routes to achieve delivery prior to the guaranteed delivery time?

[c] Should rural/HCR carriers deviate from their routes to achieve delivery prior to the guaranteed time?

Response:

There are no applicable citations.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF DAVID B. POPKIN

20737

DBP/USPS-103 [a] Please provide a breakdown by one ounce weights showing the number and/or percentage of the total volume of Express Mail articles that are mailed in a flat rate envelope. Over 32 ounces may be shown in a single category if desired. [b] What percentage of the total volume of Express Mail articles that are mailed in flat rate envelopes are under 8 ounces, are between 8 and 32 ounces, and are over 32 ounces? [c] Provide details of any study or evaluation of Express Mail articles that are mailed in flat rate envelopes and which weigh under 8 ounces as to whether they are paid at the 8 ounce rate [presently \$11.75] or are paid at the flat rate postage [presently \$15.75].

RESPONSE:

The requested data are unavailable.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF DAVID B. POPKIN

20738

DBP/USPS-127 [b] Refer to your response to DBP/USPS-5(i)(5). Are there any envelopes which may be utilized as an Express Mail flat-rate envelope? If so, provide details.

RESPONSE:

Yes. Form EP-13F is the Express Mail flat-rate envelope.

**RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF DAVID B. POPKIN
REDIRECTED FROM THE UNITED STATES POSTAL SERVICE**

DBP/USPS- 129 Refer to the response to DBP/USPS-3. [a] Provide details on the extent to which your yes response to subpart d applies. Is it nationwide? [b] Regarding the response to subpart e, provide a listing of each of the previous editions of this form and whether or not there is tagging. [c] Will the tagging on previous versions of Form 3800 also act in the same manner as the July 1999 version? [d] Regarding the response to subpart f, explain why the word "most" was used before BCSs and "if so designated" was used at the end of the sentence. Explain and describe the extent to which this sorting takes place. [e] Regarding the response to subpart g, is the second and third sentence the only example that you are not able to provide an unconditional confirmation? If not, please provide other examples. [f] Please provide a copy of USPS Form 3812 referred to in your response.

Response:

- a. An effort is made nationwide to remove Certified Mail articles from an automated system to a manual system.
- b. The April, 1995 version of Form 3800, which was the version in use before the July, 1999 version, also had tagging.
- c. Yes.
- d. For clarification of the use of the word "most" before BCSs in subpart (f) of DBP/USPS-3, see DFC/USPS-T10-8(h); the wording "if so designated" was used to convey the fact that not all sort plans designate a dedicated bin for Certified Mail articles. If the sort plan designates a dedicated bin for Certified Mail articles, and the Certified Mail detector is on, then the Certified Mail articles are sorted to the dedicated bin. If the sort plan does not designate a dedicated bin, then the Certified Mail articles are manually removed.
- e. Yes.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF DAVID B. POPKIN
REDIRECTED FROM THE UNITED STATES POSTAL SERVICE

DBP/USPS-129, Page 2 of 2

- f. PS Form 3812 was erroneously written in the response to DBP/USPS-3(g), which should refer to PS Form 3849. A copy of PS Form 3849 is attached to witness Mayo's response to DBP/USPS-139 (Tr. 14/5461).

RECEIVED

May 19 4 40 PM '00

POSTAL RATE COMMISSION
OFFICE OF THE SECRETARYBEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

NOTICE OF UNITED STATES POSTAL SERVICE
OF FILING OF LIBRARY REFERENCE USPS-LR-I-380

The United States Postal Service hereby gives notice that it is filing today the following library reference:

USPS-LR-I-380 Redacted Inspection Service and Inspector General Audit Reports
Provided in Response to Interrogatory DBP/USPS-130

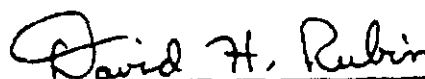
The redactions are described in the Postal Service's response to interrogatory DBP/USPS-130, which is also being filed today.

This is a category 3 and 4 library reference. Copies are also on file with the Postal Service library, and a copy is being provided to David B. Popkin.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking

David H. Rubin

475 L'Enfant Plaza West, SW
Washington, DC 20260-1137
(202) 268-2986; Fax -6187
May 19, 2000

**RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF DAVID B. POPKIN
REDIRECTED FROM THE UNITED STATES POSTAL SERVICE**

DBP/USPS-131. Attached to this pleading is a letter dated September 24, 1999, as Attachment A. [a] Please verify that this letter was prepared and sent to me by an employee of the United States Postal Service.

RESPONSE:

- a. The letter attached to the interrogatory (Tr. 14/5450) accurately describes the current procedures used to process return receipt mail under the circumstances represented in the letter.

**RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF DAVID B. POPKIN
REDIRECTED FROM THE UNITED STATES POSTAL SERVICE**

DBP/USPS-132. Attached to this pleading is a letter dated September 24, 1999, as Attachment B. [a] Please verify that this letter was prepared and sent to me by an employee of the United States Postal Service.

RESPONSE:

- a. The letter attached to the interrogatory (Tr. 14/5452) accurately describes the current procedures used to process return receipt mail under the circumstances represented in the letter.

**RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF DAVID B. POPKIN
REDIRECTED FROM THE UNITED STATES POSTAL SERVICE**

DBP/USPS-133. Attached to this pleading is a letter dated October 26, 1999, as Attachment C. [a] Please verify that this letter was prepared and sent to me by an employee of the United States Postal Service.

RESPONSE:

- a. The letter attached to the interrogatory (Tr. 14/5454) accurately describes the current procedures used to process return receipt mail under the circumstances represented in the letter.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF DAVID B. POPKIN
REDIRECTED FROM THE UNITED STATES POSTAL SERVICE

DBP/USPS-134. Attached to this pleading is a letter dated September 28, 1999, as Attachment D. [a] Please verify that this letter was prepared and sent to me by an employee of the United States Postal Service.

RESPONSE:

- a. The letter attached to the interrogatory (Tr. 14/5456) accurately describes the current procedures used to process return receipt mail under the circumstances represented in the letter.

**RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF DAVID B. POPKIN**

DBP/USPS-180 Please refer to your response to DBP/USPS-94. [a] Please confirm that your responses indicate that delivery of an average piece of mail to a post office box will cost the Postal Service 14.19 cents less than delivery to a city delivery customer and 10.92 cents less than delivery to a rural route customer. [b] If not, please explain and discuss. [c] Please explain how these savings in costs are passed along to the post office box users.

RESPONSE:

(a) Not confirmed.

(b) The price of the average mail piece takes into account average collection, processing, and delivery costs. The sender pays this price. Delivery costs include costs for carriers to sort their mail (in-office costs), and to deliver it (street costs) to city and rural carrier customers. While there are no city or rural carrier street costs for delivery to post office boxes, processing costs include clerk costs to sort mail to post office boxes for delivery. These clerk mail processing costs are relevant to determining any delivery cost differential between carrier and post office box delivery. However, because of the lack of post office box mail volume data, the Postal Service is unable to estimate the cost per piece of sorting to post office boxes.

(c) Any savings from delivery to post office boxes are passed to users of the mail system in terms of lower postage rates in general. Use of a post office box does not necessarily save the Postal Service carrier delivery costs, since post office box customers (except for Group E) can receive carrier delivery of mail also.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF DAVID B. POPKIN

20747

DBP/USPS-196 Please refer to the response to DBP/USPS-62. [a] The response to subpart c did not indicate the number of articles delivered late. Please provide. [b] What is the total revenue received for all articles mailed in the March 27, 1999 to March 31, 2000 time frame utilized for your response to subparts a and c? [c] What is the total dollar amount of all refunds made during the March 27, 1999 to March 31, 2000 time frame? [d] Confirm that it would be appropriate to assume that the revenue received for the articles delivered by guaranteed time is reasonable close enough to 91.2% of the total revenue and that ratio of number of claims paid out compared to the number of articles delivered after the guarantee time is proportional to the corresponding revenue values. [e] If you are not able to confirm, provide your best estimate. [f] Confirm that your response to subpart f should also include those instances where the sender is not aware of the fact that the article was delivered after the guaranteed time as well as instances where the sender is not aware of the ability to obtain a refund or does not believe that it is worth making the effort to obtain a refund.

RESPONSE:

- (a) 5,520,033 pieces
- (b) \$1,055,104,000
- (c) \$1,317,605
- (d) It is confirmed that one may assume that the revenue received for the articles delivered by guaranteed time is reasonable close enough to 91.2% of the total revenue. The estimated revenue from the 5,520,033 pieces which were not delivered on time is \$75,624,452. It is not clear what is meant by "is proportional to the corresponding revenue values."
- (e) Not applicable.
- (f) It is not clear what the question is asking. The number of articles late includes all late articles, regardless of the sender's actions. The number of refunds is dependent upon initial action by the sender. Please see response to DBP/USPS-62(b).

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF DAVID B. POPKIN

DBP/USPS-204 Please refer to your response to DBP/USPS-142. [a] The two versions that I have seen were both in English. Please reevaluate your response to subpart b. [b] Please provide me with hard copies of all survey forms.

RESPONSE:

- a. The original response, i.e. "[o]ne version is currently used for residential customers," is correct. Without seeing copies of the forms to which the question alludes, it cannot be determined whether such forms consist of a retired survey form that is no longer being used, and/or a local survey form unrelated to the Customer Satisfaction Measurement System.
- b. A hard copy of the current U. S. Postal Service Customer Satisfaction Survey of residential customers is attached.

U.S. POSTAL SERVICE CUSTOMER SATISFACTION SURVEY

To be completed by an individual knowledgeable about the household's mail. Please base your answers only on **your household's direct experience during the past 30 days** - not on what you've heard from others, experienced in the workplace, learned from the news, or on experiences older than 30 days.

Please follow the steps below carefully when completing this survey:

- Use a blue or black ink pen that does not soak through the paper.
- Make solid marks that fit in the response boxes. (Make no stray marks on the survey.)

RIGHT WAY ▶



98

WRONG WAY ▶



98

Delivery of Your Mail

Based on your experiences during the *past 30 days*, please rate the Postal Service on each of the following aspects of your mail delivery. (PLEASE MARK ONE ANSWER BY PUTTING AN "X" IN THE APPROPRIATE BOX ☒ FOR EACH STATEMENT.)

	Excellent	Very Good	Good	Fair	Poor	Don't Know
a. Consistency of delivering mail to your location within a half hour of the same time each day	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Delivery of mail to the correct address	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Delivery of mail in good condition	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. The length of time it usually takes a letter mailed in your local area to be delivered in your local area	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. The amount of time it usually takes a letter mailed in other parts of the country to be delivered in your local area	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f. Providing products and services that are a good value for the price ...	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g. The security of First-Class mail (that your mail will remain unopened and safe from theft and loss)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

In the *past 30 days*, have you experienced the following situations with Postal Service deliveries to your residence? (IF "NO," MARK THE "NOT AT ALL" BOX. IF "YES," MARK THE BOX INDICATING HOW MANY TIMES.)

How often in the past 30 days?	Not at all	Once	2-3 times	More than 3 times	Don't Know
a. Received mail intended for a different address	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Received damaged mail	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Mail sent within your local area which took more time to arrive than you thought it should	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. Mail sent from other parts of the country which took more time to arrive than you thought it should	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
e. Letter or package delivered to your home which was left in an unsafe place	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f. Lost or stolen mail	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Post Office

During the *past 30 days*, how many times did you visit a post office for personal or household needs? (MARK ONLY ONE)

☐ Not at all (Go to question #8) ☐ 1 - 2 times ☐ 3 - 5 times ☐ More than 5 times

Based on your experiences during the *past 30 days*, please rate the post office you have visited most often on each of the following. (PLEASE MARK ONE ANSWER BY PUTTING AN "X" IN THE APPROPRIATE BOX ☒ FOR EACH STATEMENT.)

	Excellent ▼	Very Good ▼	Good ▼	Fair ▼	Poor ▼	Don't Know ▼
a. Waiting time in line.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Ability of clerks to explain postal products and services.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Helpful service from clerks.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. Courteous and friendly service from clerks.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. Convenience of hours when post office is open.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f. Stamp vending machines in working order.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g. Availability of parking at the post office.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
h. Range of services available at the post office.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

During post office visits in the *past 30 days*...

(IF "NO," MARK THE "NOT AT ALL" BOX. IF "YES," MARK THE BOX INDICATING HOW MANY TIMES.)

	Not at all ▼	Once ▼	2-3 times ▼	More than 3 times ▼	Don't Know ▼
How often in the past 30 days?					
a. Did you have to wait in line more than 5 minutes?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Were you served by a clerk who gave especially good service?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Were you served by a clerk who was unable to explain postal services or answer questions?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. Were you served by a clerk who was unwilling to help with a problem or request?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. Were you served by a clerk who was discourteous?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f. Were you unable to find parking near the post office?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g. Were you unable to get stamps when you needed them from a lobby vending machine?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please provide the ZIP code of the post office you visit most often.

During your most recent visit to the post office, how long did you wait in line?

- ☐ No wait/No line
☐ Less than 1 minute
☐ 1 - 3 minutes
☐ 4 - 5 minutes
☐ 6 - 10 minutes
☐ More than 10 minutes
☐ Don't know

Other Postal Service Functions

20751

8 During the *past 30 days*...

a. Have you telephoned the Postal Service to get information?

☒ Yes ☐ No (Go to question #9)

If "Yes," rate the postal service on...

	Excellent	Very Good	Good	Fair	Poor	Don't Know
b. Ease of getting through to a person when you phoned	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Obtaining the information you needed	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. Accuracy of the information you received	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. Being served promptly by an actual person (not an automated voice menu)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f. Where did you call? <input type="checkbox"/> National Service Center (Call Center) <input type="checkbox"/> Local post office <input type="checkbox"/> Other						

9 During the *past 30 days*...

a. Has any of your household's mail been delivered to a Postal Service post office box?

☒ Yes ☐ No (Go to question #10)

If "Yes," have the following occurred during the past 30 days?
(If "NO," MARK THE "NOT AT ALL" BOX, IF "YES," MARK HOW MANY TIMES.)

	Not at all	Once	2-3 times	More than 3 times	Don't Know
b. Delivery of mail later than the posted time	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Received mail not addressed to your post office box	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

10 In the *past 30 days*...

a. Has anyone in your household completed a change-of-address card so that your mail would be forwarded to a different address, including a temporary or vacation address?

☒ Yes ☐ No (Go to question #11)

If "Yes," rate the Postal Service on...

	Excellent	Very Good	Good	Fair	Poor	Don't Know
b. Prompt start-up of delivery to your forwarding address	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Delivery of forwarded mail within a reasonable number of days	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. Delivery of forwarded mail to correct address	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

11 During the *past 30 days*, have you had any problems with the Postal Service?

☒ Yes ☐ No (Go to question #17)

If "Yes," to question #11, please describe the problem(s) in detail.

12 Did you contact the Postal Service to complain about the problem?

☒ Yes ☐ No (Go to question #16)

13 How did you contact the Postal Service? (MARK ONLY ONE)

☐ By telephone ☐ By written correspondence ☐ In person ☐ Email ☐ By other means

14 Please rate the Postal Service on how well they handled your complaint in terms of:

	Excellent	Very Good	Good	Fair	Poor	Don't Know
a. Ease of reaching someone who could help	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. The way you were dealt with	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Speed of response to your complaint	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

1 Thinking about all aspects of U.S. Postal Service performance during the past 30 days, please rate the service you have received.

☐ Excellent ☒ Very Good ☐ Good ☐ Fair ☐ Poor ☒ Don't Know

18 Right now the only way to mail a First-Class letter is through the U.S. Postal Service. But if there were another mail service which you could use to mail a letter at the same price, would you switch to another service?

☐ Definitely would switch ☒ Probably would not switch ☐ Don't Know

☐ Probably would switch ☐ Definitely would not switch

Responses to the following questions will be used solely for research purposes and kept strictly confidential.

- 19 Do you operate a business from your home?
☐ Yes ☐ No
- 20 Is anyone in your household employed by the U.S. Postal Service or by a national company which specializes in shipping or delivery of mail or packages?
☐ Yes ☐ No
- 21 Please mark the one response which best describes where you normally receive your mail:
- ☐ Individual mailbox or mail slot at your residence
- ☐ Individual mailbox attached to a post at a road
- ☐ Mailbox or mail slot inside an apartment building or townhouse complex
- ☐ Mailbox or mail slot outside an apartment building or townhouse complex
- ☐ In a box at a U.S. Postal Service post office (P.O. box)
- ☐ Rented mailbox somewhere other than at a U.S. Postal Service post office

- 22 About how many pieces of mail with your address does your household receive on a typical delivery day? Please include all mail delivered by your carrier, including letters, bills, magazines, catalogs, advertisements, and other mail.
- | | |
|---------------------------------------|--|
| <input type="checkbox"/> 0 - 2 pieces | <input type="checkbox"/> 9 - 11 pieces |
| <input type="checkbox"/> 3 - 5 pieces | <input type="checkbox"/> 12 or more pieces |
| <input type="checkbox"/> 6 - 8 pieces | |
- 23 What is your age?
- | | |
|---|--|
| <input type="checkbox"/> Under 25 years | <input type="checkbox"/> 45 - 54 years |
| <input type="checkbox"/> 25 - 34 years | <input type="checkbox"/> 55 - 64 years |
| <input type="checkbox"/> 35 - 44 years | <input type="checkbox"/> 65 or older |
- 24 What is the highest level of education that you have completed?
- ☐ Did not complete high school
 - ☐ High school graduate/GED
 - ☐ Technical/Trade School
 - ☐ Some college
 - ☐ Associate's degree
 - ☐ Bachelor's degree
 - ☐ Graduate degree
 - ☐ Post graduate

Your answers to these questions will be kept confidential and will only be used to identify groups of similar respondents for statistical purposes.

- 4 -

COMPELLED RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF DAVID B. POPKIN

DBP/USPS-208: Please refer to your response to DBP/USPS-146.

d. Please provide a copy of the contract for the Englewood Cliffs facility.

RESPONSE:

A copy of the lease for the Englewood Cliffs Station is being filed as USPS-LR-I-434.

RESPONSE OF UNITED STATES POSTAL SERVICE TO
INTERROGATORY OF DAVID B. POPKIN

20754

DBP/USPS-212 Please refer to your response to DBP/USPS-149. [a] My original subpart d related to those individuals who are evaluating the data in the zplist4 file. Please reanswer the original subpart d in that context. [b] I am aware of non-delivery offices that are charging box rents for eligible Fee Group E individuals. Are these individuals entitled to obtain a refund, and if so, how far back may they go?

Response:

- [a] Objection filed May 15, 2000.
- [b] Non-delivery offices properly charge box fees to customers who are eligible for carrier delivery, or are not eligible for carrier delivery because of state or local laws that prohibit the installation of receptacles at the curb or otherwise preclude the provision of carrier delivery service. See the response to DBP/USPS-149(f). Your determination that a customer is eligible for a Group E box would not qualify that customer for a refund. See DMM § D910.6.0 concerning refund of box fees, and DMM § P014.2.0 for postage and fee refunds in general.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF DAVID B. POPKIN**

DBP/USPS-218: Please refer to the response to DBP/USPS-104. [a] Please read the last sentence of DMM Section S915.1.4 and then reanswer DBP/USPS-104. [b] Please confirm that once the postage has been determined based on the weight of the mail piece without the stamps or labels affixed and then the stamps and/or labels are affixed, it may not be possible for the Postal Service to determine that the article has the proper postage affixed.

I have reprinted DBP/USPS-104 for ease of reference:

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:

[a] In DMM S915.1.4: for computing postage, the weight of the return receipt is excluded from the weight of the mailpiece. They are not weighing the forms 3800 & 3811. See no. 6 of the clerks training procedures.

This is how they complete PS Form 3800:

1. Have customer complete the "Addressee" portion (top part)
2. Determine applicable postage
3. Write in the postage amount and certified fee
4. Affix amount of postage to mail piece that reflects the total postage and

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF DAVID B. POPKIN**

services fees

5.Round stamp the "postmark" portion

6.Affix the certified mail sticker portion to the front of the mailing

item above the delivery address and to the right of the return address.

7.Detach the top portion of form and give to customer

[b] Confirmed it may not be possible.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF DAVID B. POPKIN**

DBP/USPS-220: Please refer to your response to DBP/USPS-172. [a] Your response to DBP/USPS-172 [a] keeps answering the question in reverse. My question is once a particular FIVE-digit ZIP Code is utilized for a one or more "No Office Point" address, is or will that same FIVE-digit ZIP Code be utilized for a NON-No Office Point address. The question does not, at least directly, relate to a change in status of a destination or to whether all of the No Office Points for Anchorage are in the 99695 ZIP Code. The question is attempting to determine is or will a given FIVE-digit ZIP Code be utilized for BOTH a No Office Point address and a NON-No Office Point. Examination of your attachment seems to indicate that it will, namely PO Box PML, Cold Bay AK 99571-8999 is a No Office Point and PO Box 1, Cold Bay AK 99571-0001 is a regular type of address - both of which use the same 5-digit ZIP Code 99571. Please clarify and explain. [b] Since this is an institutional interrogatory, please have the experts in Washington respond to DBP/USPS-172[?]

RESPONSE:

[a] Based upon the manner your question is stated, "Yes. A 5-Digit ZIP Code could contain both a No-office point and a regular post office." This situation exists for the majority of the no-office points outside of Ketchikan and Juneau. The following brief discussion should clarify this point.

Because "no-office points" are not postal facilities, they really do not exist beyond the delivery address that must be tied to a regular post office ZIP Code. The primary address choice for no-office point addressing is to use a phantom post office box number for the entire community at the post office that makes delivery. In your example, PO Box PML belongs to Port Moller which receives final dispatch through the Cold Bay Post Office, 99571. Therefore, all customers in Port Moller would receive mail addressed to:

John Doe
Port Moller
PO BOX PML
Cold Bay AK 99571

This format allows Cold Bay distribution employees to send PO BOX PML to Port

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF DAVID B. POPKIN**

Moller instead of placing the mail in the Cold Bay post office box section.

When the dispatch point is one of our larger sectional center facilities (Anchorage, Fairbanks, Juneau, Ketchikan, Kodiak, etc.), all no-office points use one of the unique ZIP Codes that was explained earlier.

In summary, the host administrative post office will share its 5-Digit ZIP Code with any no-office point receiving final mail dispatch from its facility.

[b] Has already been responded to.

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

RECEIVED

May 22 5 24 PM '00

POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

NOTICE OF THE UNITED STATES POSTAL SERVICE
OF FILING OF LIBRARY REFERENCE USPS-LR-I-336

The United States Postal Service hereby gives notice that it is filing today the
following Category 4 library reference:

USPS-LR-336 Service Standards Diskette (FY 2000, Q3), Provided in
Response to DBP/USPS-234

Respectfully submitted,

UNITED STATES POSTAL SERVICE

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking

By its attorney:




Michael T. Tidwell

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(202) 268-2998 Fax -5402
May 22, 2000

CERTIFICATE OF SERVICE

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



Michael T. Tidwell

May 22, 2000

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF DAVID B. POPKIN

DBP/USPS-240

Please refer to your response to DBP/USPS-196. I am not able to reconcile your response to DBP/USPS-196[d]. The first sentence indicated your confirmation that the revenue received for the 91.2% of the articles delivered by the guaranteed time would be reasonably close to 91.2% of the total revenue. This would be equivalent to stating that the revenue received for the 8.8% of the articles that were not delivered by the guaranteed time would be reasonably close to 8.8% of the total revenue. Your response to DBP/USPS-196[b] stated that the total revenue for the given period was \$1,055,104,000. 8.8% of that number would be \$92,849,152. The second sentence of your response stated that the estimated revenue from the 5,520,033 pieces which were not delivered on time is \$75,624,452. Please clarify, explain, and discuss the difference between these two numbers - \$92,849,152 is some 22.8% greater than \$75,624,452.

RESPONSE:

The estimated revenue from the 5,520,033 pieces which were not delivered on time should be corrected from \$75,624,452 to \$84,622,105.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF DAVID B. POPKIN

DBP/USPS-241

To clarify the last clause of my original DBP/USPS-196[d] and your response in which you stated it was not clear, please confirm that percentage of late deliveries for which the senders who are entitled to file a claim for delivery after the guaranteed time actually do file a claim for refund of postage would be \$1,317,605 [your response to DBP-USPS-196[c]] divided by \$75,624,452, \$92,849,152, or by the number you arrive at in your response to DBP/USPS-240 [of course, the fraction obtained would be multiplied by 100 to arrive at a percentage value]. If you are not able to confirm, please explain and discuss why this ratio would be any different than the similar confirmation made in response to DBP/USPS-196[d] and provide your best estimate of the appropriate value and your reasons for arriving at that response.

RESPONSE:

Confirmed. The correct denominator would be \$84,622,105.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF DAVID B. POPKIN

DBP/USPS-242

This is to clarify my original DBP/USPS-196(f) based on your response that it was not clear. Based on your response to DBP/USPS-196 and my statements in DBP/USPS-241, it would appear that senders are not filing for entitled to refunds of postage in approximately 98-99% of the Express Mail articles that are delivered late after the guaranteed time. Please confirm that this large number includes senders who are not aware that the article was delivered after the guaranteed time, the sender was not aware of the ability to obtain a refund, or did not believe that it was worth making the effort to obtain a refund. Please also explain and discuss any other reasons you feel may also apply and why you believe that only 1-2% of those senders who are entitled to apply for a refund of postage actually do so.

RESPONSE:

One could speculate that there are a wide variety of reasons and motivations that result in this statistic. Please see also the response to DBP/USPS-62(f).

**RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF DAVID B. POPKIN**

DBP/USPS-243

Based on the high percentage of senders who do not file for refunds, please explain the methods by which the Postal Service makes senders aware of the ability to apply for a refund if the article is not delivered by the guaranteed time.

RESPONSE:

Regardless of the numbers who do or do not file for refunds, all Express Mail customers are given the "Customer Copy" of the Express Mail label which shows the Day of Delivery, Next or Second Day, and Time—12 Noon or 3 PM. The reverse of the "Customer Copy" states that postage will be refunded if the article is not delivered or attempted before the guaranteed time. The reverse of the "Customer Copy" also includes an explanation of how claims for refund of postage can be filed.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF DAVID B. POPKIN**

DBP/USPS-244: Please refer to the response to DBP/USPS-220[b]. The response to DBP/USPS-172[i] has not been received. Please provide.

I have reprinted DBP/USPS-172 for ease of reference:

DBP/USPS-172: Please refer 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 case?

RESPONSE:

It appears that the "no office point" settlements in Alaska receive bush air service.

Generally speaking, the costs of bush air service accrue to accounts 53561, 53563, 56565, and 56567, but "no office point" costs are not separately identified. Bush air service costs are distributed to classes of mail in the Cost Segment B workpapers of witness Meehan (USPS-T-11). Distribution of costs to products is based on special studies of mail carried on intra-Alaska air transportation provided under DOT proscribed rates.

RESPONSE OF UNITED STATES POSTAL SERVICE TO FOLLOW-UP
INTERROGATORY OF DAVID B. POPKIN

20765

DBP/USPS-254. Please refer to your revised response to DBP/USPS-209 filed on June 16, 2000. Please confirm that all calculations for all facilities of the type referred to in subpart o of DBP/USPS-209 have utilized natural logarithms and not logarithms to the base 10.

RESPONSE:

Confirmed.

**RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY OF
DOUGLAS F. CARLSON**

20766

DFC/USPS-66 Please refer to the response to DFC/USPS-46.

- a. Please explain why FIM "D," rather than FIM "C" is used for IBI mail.
- b. Please confirm that AFCS machines sort FIM "D" mail to the stacker for typewritten mail, not the stacker for pre-bar-coded mail. If you do not confirm, please explain and provide the basis for your answer. If you do confirm, please explain why FIM "D" mail is not sorted to the stacker for pre-bar-coded mail.
- c. Please confirm that AFCS machines sort FIM "A" and FIM "C" mail to the stacker for pre-bar-coded mail. If you do not confirm, please explain.
- d. Please confirm that the AFCS machine normally sprays an orange RBCS ID tag on the back of typewritten and script mail but not on pre-bar-coded mail destined for the stacker for pre-bar-coded mail.
- e. Please confirm that the AFCS sprays an RBCS ID tag on the back of FIM "D" mail. If you do not confirm, please explain and provide the basis for your response. If you do confirm, please explain the purpose of spraying an RBCS ID tag on FIM "D" mail.
- f. Please confirm that the RCR will not use a wide-area bar code in resolving an address and instead will resolve the actual typewritten or printed address.

RESPONSE:

a. The FIM "D" markings were originally used for Courtesy Reply Mail (CRM) that did not contain a ZIP+4 barcode. When the DMM was revised to require that CRM have a proper ZIP+4 barcode, FIM "D" markings were no longer needed. As a result, that marking was designated as the proper FIM marking for IBI mail pieces.

FIM "C" markings, on the other hand, are used to designate Business Reply Mail (BRM) pieces that contain a preprinted BRM ZIP+4 barcode as per DMM 55 Section C100.5.2. IBI mail pieces do not contain FIM "C" markings because they are not BRM.

b. Confirmed. The AFCS currently sorts FIM "D" mail to bins 5 and 6 along with the "Imprint (Machine Printed)" mail pieces. FIM "D" is not sorted to bins 1 and 2 with the FIM "A" (prebarcoded CRM) and FIM "C" (prebarcoded BRM) mail pieces because FIM "D" mail pieces are not necessarily prebarcoded. In addition, the next downstream operation for the mail sorted to bins 1 and 2 is the automation outgoing primary operation. The sort plans for the automation outgoing primary operations have been structured to accommodate FIM "A" and "C" remittance mail processing.

**RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY OF
DOUGLAS F. CARLSON**

RESPONSE to DFC/USPS-66 (Continued)

c. Confirmed. The AFCS currently sorts prebarcoded FIM "A" and FIM "C" mail to bins 1 and 2.

d. Confirmed.

e. Confirmed. As the AFCS-ISS is currently set up, an RBCS ID tag would be sprayed on the back of a FIM "D" mail piece. Depending on whether it is aligned by its "trailing edge" or "leading edge", the mail piece would then be sorted to either bin 5 or 6, respectively. The mail from these bins would then be routed to the MLOCR-ISS for further processing.

The MLOCR-ISS can detect the presence of an RBCS ID tag before it sprays an ID tag on the back of a given mail piece. When the MLOCR-ISS determines that an ID tag is already present, the information from that tag is "linked" to the corresponding mail piece.

If the mail piece contains a readable barcode, the MLOCR-ISS prebarcode detector interprets that barcode and the mail piece is sorted to the proper bin. This mail piece is not processed through RBCS. Therefore, the ID tag is never really used.

If the mail piece does not contain a readable barcode, the MLOCR-ISS attempts to read the address and apply a corresponding barcode. If the MLOCR-ISS cannot interpret the address, the mail piece is processed through the RBCS system. In this case, the ID tag is used to "link" the mail piece to the RBCS result.

f. It is confirmed that the RCR system will attempt to use image recognition technology, not a Wide Area Bar Code Reader (WABCR), to resolve a typewritten or machine printed address for mail pieces that could not be barcoded by the Multi Line Optical Character Reader - Input Sub System (MLOCR-ISS).

COMPELLED RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF MR. CARLSON

DFC/USPS-70

Please provide recent national EXFC performance data for every category available (e.g., flats; letters; SPRs; handwritten, typewritten, barcoded; etc.)

RESPONSE:

Attached are summary national FY 98 and 99 EXFC performance data broken down by mil piece type.

EXFC -- BY INDICIA

FY	SERV	INDICIA	
		METERED %ONTIME	STAMPED %ONTIME
1998	1	92.78	93.42
	2	83.03	82.46
	3	82.13	80.39
*TOTAL 1998		87.36	86.78
1999	1	93.30	93.35
	2	86.80	85.99
	3	86.08	84.70
*TOTAL 1999		89.60	89.01

EXFC -- BY SHAPE

FY	SERV	SHAPE		
		CARD %ONTIME	FLAT %ONTIME	LETTER %ONTIME
1998	1	89.55	86.86	93.49
	2	78.66	71.63	83.60
	3	73.40	71.11	82.37
*TOTAL 1998		82.52	78.40	87.84
1999	1	90.01	86.39	93.85
	2	82.88	72.11	87.55
	3	82.07	71.59	86.59
*TOTAL 1999		85.85	78.50	90.19

EXFC -- BY ADDRESS PRINTING

FY	SERV	ADDR	
		PRINTED	WRITTEN
		%ONTIME	%ONTIME
1998	1	92.95	93.16
	2	83.20	81.77
	3	82.10	79.53
*TOTAL 1998			
		87.45	86.26
1999	1	93.47	92.88
	2	86.99	85.09
	3	86.24	83.68
*TOTAL 1999			
		89.76	88.29

EXFC -- BARCODE USAGE

FY	SERV	PREBARC	
		NOT PRE B/C	PRE-BARCODE
		%ONTIME	%ONTIME
1998	1	92.90	93.44
	2	82.20	85.22
	3	80.94	83.83
*TOTAL 1998			
		86.74	88.84
1999	1	93.21	93.71
	2	86.10	87.97
	3	85.24	87.06
*TOTAL 1999			
		89.12	90.44

**COMPELLED RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF DOUGLAS F. CARLSON**

DFC/USPS-72. Please provide all policies that explain and govern the Postal Service's obligation, if any, to provide every American mail delivery six days per week.

RESPONSE:

There do not appear to be any policies that oblige the Postal Service "to provide every American mail delivery six days per week." To reach this result, a policy would both have to specify "delivery six days per week," and have to explicitly apply to "every American." The Postal Reorganization Act does direct the Postal Service to provide "prompt, reliable, and efficient services to patrons in all areas and ... render postal services to all communities," and calls for "a maximum degree of effective and regular postal service to rural areas, communities and small towns where post offices are not sustaining." 39 U.S.C. § 101(a-b). The Act also requires the Postal Service to "receive, transmit, and deliver [mail] throughout the United States, its territories and possessions" and makes the Postal Service responsible for maintaining "an efficient system of collection, sorting and delivery of mail nationwide." 39 U.S.C. § 403(a-b). The Act states that the Postal Service "shall serve as nearly as practicable the entire population of the United States," and shall "establish and maintain postal facilities of such character and in such locations that postal patrons throughout the Nation will, consistent with reasonable economies of postal operations, have ready access to essential postal services." *Id.* None of these provisions (nor any others of the Act), however, specify the frequency with which mail must be delivered.

On the other hand, in response to concerns arising in the early 1980s that the Postal Service might (either actually or hypothetically) deviate from its long-standing

general practice of six-day a week delivery, Congress has routinely included a provision in annual postal appropriation bills that requires that "6-day delivery and rural delivery of mail shall continue at not less than the 1983 level." Such a provision is included in the Postal Service Appropriations Act, 2000. 145 Cong.Rec. H8205 (daily ed. Sept. 14, 1999). While this provision might restrict the Postal Service's ability to reduce delivery frequency to less than six days per week for those types of customers who received such service in 1983, its plain language creates no obligations beyond those that existed at that time. To the extent that "every American" did not receive six-day delivery in 1983, consistent with the policy of the Act that the Postal Service serve the entire population only "as nearly as practicable," the appropriation provision does not create any new obligation that they do so.

No other information has been identified that is potentially responsive to this request, although somewhat related information may be found in the responses to Carlson interrogatories 60, 61, and 65 (Tr. 14/5542-43, 5548), and to Popkin interrogatories 14 (March 17, 2000) and 115 (April 16, 2000) to the Postal Service, and 12-13 to witness Mayo (Tr. 14/5489-90).

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

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- 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

20775

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 UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF DOUGLAS F CARLSON

20776

DFC/USPS-89. The response to DFC/USPS-23(a) and (e) seems inconsistent with the response to DFC/USPS-78 and 79. If so, please indicate the extent to which the response to DFC/USPS-78 and 79 supersedes the response to DFC/USPS-23(a) and (e). If not, please explain the instances, discussed in DFC/USPS-23(a) and (e), in which the Postal Service will not offer guaranteed Next Day or Second Day Express Mail Post Office to Address service.

RESPONSE:

The Postal Service's policy is to make its guarantee available irrespective of destination.

It does not necessarily follow, however, that it makes sense to provide dedicated transportation to and from every single post office, no matter how isolated, every single day. For example, if an office receives on average one piece of Express Mail per quarter, and the scheduled day of delivery of a typical piece is not predictable, and that office gets mail delivery on three out of six business days, one would expect 2 Express Mail service failures per year absent exceptional transportation to meet delivery commitments. One possible way to eliminate most of these failures would be to mandate that all offices provide the necessary transportation on every business day. However, in this example, transportation costs would be approximately doubled. The Postal Service considers that managers might justifiably prefer to institute policies that allow for exceptional transportation to be used on an as-needed basis. The responses to the above mentioned interrogatories attempted to articulate this position which, because it allows for exceptions to established policies that appear to be at odds with service commitments, may have given the appearance of inconsistency.

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

20777

DFC/USPS-90. Please refer to the response to DFC/USPS-79(c).

- a. Please provide all information explaining the extent to which the Postal Service, in order to meet Express Mail delivery commitments, *actually* arranges for special transportation to deliver Express Mail to post offices that normally would not receive mail on the guaranteed delivery day.
- b. Please provide all available data on the percentage of Express Mail items that are delivered on time as a result of the special transportation arrangements described in (a) that would not have been delivered on time absent the special transportation arrangements described in (a).
- c. Please confirm that the postmaster general has directed field offices in the past year to reduce expenses.
- d. Please discuss the extent to which the special transportation arrangements described in (a) are permissible, encouraged, and discouraged under the postmaster general's directive. Please provide relevant documents.
- e. Please discuss the extent to which a field office might interpret the postmaster general's directive as discouraging the special transportation arrangements described in (a). Please provide relevant documents.
- f. Please provide all available information on the costs the Postal Service has incurred to provide the special transportation described in (a).
- g. Does the special transportation described in (a) include special flights by air to deliver the Express Mail to the destination post office? If so, please provide information on the extent to which air travel is used for the special transportation described in (a) and the costs associated therewith.

RESPONSE:

- a-b. Decisions of this kind are in the control of local managers. The requested information is not available.
- c. There is a large amount of communication between the Postmaster General and the Postal Service's field managers, some of which has dealt with the need to control expenses.
- d-e. The Postmaster General has been consistent in his guidance to the Postal Service's field managers that service performance is to be maintained. As stated

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

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above and in previous responses, the exercise of discretion in meeting these goals in this situation is left to local managers.

f-g. See response to parts a and b.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF DOUGLAS F. CARLSON (DFC/USPS-94-95)

DFC/USPS-95. Please refer to Exhibit 1 to DFC/USPS-95. Please confirm that this attachment is a reduced reproduction of page 5 of the January/February 2000 issue of *Postal Life*, an official publication of the United States Postal Service.

Exhibit 1 to DFC/USPS-95

DIALOGUE

ANY 24-HOUR POST OFFICES OUT THERE?

Q After reading "Competitors on the attack" in the September/October issue of *Postal Life*, I had to write to you about something that is bothering me. Is there any post office that has 24-hour service?

Daniel R. Stanley
Des Moines, IA

A Indeed, the Postal Service does have post offices and airport mail centers open 24 hours a day around the nation (none in Des Moines, however). I asked our Public Affairs and Communications personnel in the field to provide an updated list, and here it is:

■ **Main Post Offices (MPO) open 24 hours a day, 7 days a week:** Anchorage, AK; Atlanta, GA; Baltimore, MD; Fort Point Station, Boston, MA; Chicago, IL; Dallas, TX; GMF Finance Station, Denver, CO; MPO and Radford Station, Detroit, MI; Houston, TX; GMF, Jacksonville, FL; New York, NY; Orlando, FL; Philadelphia, PA; Tampa, FL; and Wichita, KS.

■ **Airport Mail Centers open 24 hours a day, 7 days a week:** Albuquerque, NM; Atlanta, GA; Charlotte, NC; Cleveland, OH; Columbus, OH; Dallas, TX; Detroit, MI; Houston, TX; Indianapolis, IN; Worthington, Los Angeles, CA; Memphis, TN; Milwaukee, WI; Minneapolis-St. Paul, MN; Nashville, TN; LaGuardia Airport, New York, NY; Newark, NJ; Pittsburgh, PA; Portland, OR; Salt Lake City, UT; St. Louis, MO; San Antonio, TX; and San Juan, PR.

■ **Main Post Offices open 24 hours (except on weekends):** Hicksville, NY, and Oakland, CA.

WHERE CAN I FIND PC POSTAGE ON THE WEB?

Q After reading the article "Bringing the post office to the people," I was surprised by a single omission. You mentioned the name of both companies from California providing the PC Postage services, but not once in the article did you mention their websites.

How can *Postal Life* readers learn how to open their own accounts and enjoy these services?

Renan Michel
Greenwich, CT

A If you want further information on how to reach PC Postage-authorized vendors, just visit the Postal Service's website at www.usps.com and click on "Business Center." There you will get PC Postage information, including the Web addresses of the various PC Postage vendors.

Q In 1993, I began the process to become a rural mail carrier. I have been a substitute carrier in Clymer, NY, since then. I may be eligible to become a full-time carrier in the next few months. I have two questions regarding my situation. What letter or step would I start at? And how long does it take to move up to the next step?

Harold Owek
Clymer, NY

A According to Labor Relations, you would start at Step A for Rural Carrier and then wait 96 weeks until you could move up to the next step. You should consult the Western New York District Human Resources office for answers to other personnel questions you may have.

Q You published Sandra Smith's letter. You owe her a \$100 gift certificate. Please do the right thing.
Gordon Gee
San Francisco, CA

POSTAL QUIZ

The female head of a post office is always called a postmaster, never a postmistress?

- a. True
b. False

The correct answer is b. False. The female head of a post office is called a postmistress. The male head is called a postmaster. This is a common misconception.

For more information on postal services, visit www.usps.com.

WIN A T-SHIRT!

Answer to the September/October Postal Quiz, which of the following famous personalities are on the Current Stamp Advisory Committee? a. Robert Redford, b. Diggler Phelps, c. Karl Malden, d. Bryant Gumbel. All of the above.

Answer: E and C

T-shirt winners: Debby Galloway, Spruce Pine, NC; Chris Condo, Benicia, CA; Robert Chen, Los Angeles, CA; Ed Estewick, Highland, NJ; Lisa D. Greene, Decatur, FL; Debbie Jay, Auburn, IL; Kim, Struble, WA; L. Martin, Perm, PA; Jack L. Mills, Bayes, ME; A. Moya, Albuquerque, NM; Dorothy Ross, Schiller, GA; D. Ann Wagon, B. de M., Kathleen Perez, Southbury, CT; Annie Shelberg, Marana, AZ; and Jennifer Simmons, Fulton, NY.

A Actually, I agreed to publish Ms. Smith's open letter in *Postal Life* as part of a plan bargain agreement she made with the United States Attorney's Office for the Northern District of Illinois.

RESPONSE:

Confirmed.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES FROM DOUGLAS CARLSON

20780

DFC/USPS-99.

- a. Please refer to the response to DFC/E-STAMP-T1-2(a). Is witness Jones correct in suggesting that presence of fluorescent or phosphorescent ink on an envelope that has a FIM "D" will cause the AFCS to treat the envelope differently than the AFCS would treat the envelope if the envelope had a FIM "D" but no fluorescent or phosphorescent ink? Please explain.
- b. b. Please confirm that, in the case of FIM "A", the AFCS detects *both* the FIM "A" and the fluorescent or phosphorescent ink. If you do not confirm, please explain.

RESPONSE:

- a. Please refer to USPS LR I-154, pages 27-28. The indicia detectors look for FIM and FIM type. If a mail piece has a FIM "D", it should be sorted to the proper bin, whether there is fluorescent/phosphorescent ink on the mail piece or not. There should be no processing difference.
- b. Confirmed.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES FROM DOUGLAS CARLSON

20781

DFC/USPS-100.

Please refer to the response to DFC/E-STAMP-T1-2(b). Is witness Jones correct in suggesting that FIM "D" signals to "scanning equipment" that a POSTNET bar code is present? If the answer is yes, please reconcile the response with the response to DFC/USPS-66(b).

RESPONSE:

FIM "D" tells the machine to sort the mail piece to a particular bin.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES FROM DOUGLAS CARLSON

20782

DFC/USPS-101.

Please refer to the response to DFC/USPS-66. Please describe examples of properly prepared FIM "D" letter mail that would not be pre-bar-coded.

RESPONSE:

Presently, all properly prepared FIM "D" mail should be prebarcoded. However, there is likely to be some residual "pre-IBIP" FIM "D" mail which is not prebarcoded.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES FROM DOUGLAS CARLSON

20783

DFC/USPS-102.

Please refer to the response to DFC/USPS-66. Is FIM "D" properly used for any mail other than IBI mail? If yes, please explain and provide examples.

RESPONSE:

No. See the response to DFC/USPS-101.

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

20784

DFC/USPS-103 Please refer to the response to DFC/STAMPS.COM-T1-1(d), (e), (g), (h), and (i). Is witness Heselton correct in suggesting that some postal facilities sort IBIP (FIM "D") mail to a stacker for pre-bar-coded FIM mail? If so, please identify these postal facilities and reconcile this information with the response to DFC/USPS-66.

Response:

Currently, the AFCS recognizes FIM D and directs the mailpiece to the enriched (OCR) stacker. We are not aware of any postal facilities sorting IBIP (FIM D) mail to a stacker for pre-bar-coded FIM A and FIM C mail (Courtesy Reply and Business Reply Mail).

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

20785

DFC/USPS-104 Please explain the extent to which the Postal Service agrees with the premise of DFC/STAMPS.COM-T1-2(c), which suggests that omission of a ZIP+4 Code in a typewritten, OCR-readable address is inconsequential for mail processing because the MLOCR will perform a database lookup and spray a correct delivery-point bar code.

Response:

Yes, the MLOCR will perform a data base lookup and spray a barcode if it has a successful match. Addresses with a ZIP+4 have a higher OCR encode rate as supported by the previous ZIP+4 discount that has since been eliminated.

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

20786

DFC/USPS-105 Please refer to DFC/STAMPS.COM-T1-5(b) and witness Heselton's response.

- a. Please explain whether my ability to print an envelope addressed to a nonexistent street address using Stamps.com software likely was possible only because of an anomaly or error in the AMS database.
- b. Is the AMS database designed to identify errors such as the one described in DFC/STAMPS.COM-T1-5(b)? Please explain.
- c. Is the AMS database typically capable of identifying nonexistent street numbers that fall within a valid number range on a particular street? Or will it accept invalid street numbers that fall within a valid range? Please explain.

Response:

- a) The ZIP+4 file contains street names associated with number ranges. The ZIP+4 matching processes do not validate the existence of individual primary addresses. They validate that a street exists with that name and that range of numbers.
- b) No. The only way to validate the existence of individual addresses is to purchase the services of a Delivery Sequence File (DSF) Licensee. The licensee would process a list and be able to validate that the addresses on the list are valid mailing addresses.
- c) No. (see (a) above). Yes, the AMS database will accept invalid street numbers that fall within a valid range. There may be valid physical addresses which are not used for mailing addresses. For example, in a rural office, there are three houses on one block. The block is in ZIP+4 because one house on the corner is on the rural carrier's line of travel out of town. He delivers to a box on the side of the road. The other two physical addresses are not in our

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

20787

addressing database because they are within ¼ mile of the post office and they have Post Office Box service.

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

20788

DFC/USPS-106 . Please refer to the response to DFC/STAMPS.COM-T1-6(d).

- a. Please confirm that the Postal Service has instructed employees to handle properly bundled IBIP letters as bundled metered mail. If you do not confirm, please explain.
- b. Please confirm that the 020 operation that trays bundled metered mail typically does not make a separation for pre-bar-coded mail that should be taken directly to a BCS. If you do not confirm, please explain.
- c. Please confirm that witness Heselton's suggestion that "it would be more expeditious" for the Postal Service to take IBIP mail "directly to a barcode reader for processing" would require 020 operations to create an additional separation and an additional mail stream. If you do not confirm, please explain.
- d. Does the Postal Service agree with witness Heselton's suggestion that "it would be more expeditious" for the Postal Service to take bundled IBIP mail "directly to a barcode reader for processing"? Please explain.
- e. Please discuss the amount of mail-processing costs (per letter) that are avoided in processing bundled metered letters compared to the benchmark of loose, handwritten letters.

Response:

- a. Confirmed.
- b. Confirmed.
- c. Confirmed for IBIP in bundles if quantity justifies a holdout and additional handling. It would not be applicable for single piece IBIP.
- d. No. FIM A and FIM C are firms (remittance mail) with different densities on the DBCS. FIM D has different densities and we would not want to mix the two. Additionally, there are no more AFCS holdouts/stackers available.
- e. We have not studied the costs avoided differences in processing bundled metered letters compared to loose handwritten letters.

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

20789

DFC/USPS-111 Is it reasonable to assume that most mailers who fold multiple sheets of paper into #10 envelopes fold most of the sheets together, all at once, rather than folding each sheet individually?

Response:

It is reasonable to assume that most mailers would fold multiple sheets of paper together, all at once.

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

20790

DFC/USPS-114 Suppose two letters are correctly addressed to the same address. Both letters have OCR-readable typewritten addresses and 11-digit Postnet bar codes in the address block. Both letters are fully automation-compatible, and they are deposited loose in a collection box in a large city. One envelope is prepared using IBIP and FIM "D", while the other letter has a postage stamp and a mailer-printed FIM "A". Please confirm that the FIM "A" letter likely will avoid more processing costs compared to a handwritten letter than the IBIP letter will avoid. Please explain.

Response:

In most instances, the FIM A letter will avoid more processing than the IBIP with FIM D letter. If the OCR sorts the IBIP letter to the same destination/holdout as the BCS would sort the FIM A letter, then the productivity and the piggyback factors should be the only cost differences. This would be unlikely since the FIM A and FIM C sort plans on the DBCS are sorting usually to firms with different holdouts and densities than other single piece letters and cards.

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 THE UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF DISTRICT PHOTO, INC., MYSTIC COLOR LAB, AND COX
SAMPLING (DMC) AS PROVIDED IN THE
PRESIDING OFFICER'S RULING NO. R2000-1/45**

DMC/USPS-1. Refer to the Response of Postal Service Witness Smith to POIR No. 4, Attachment page 1 of 8. Please explain the reasons why First-Class parcel processing costs increased in 1996.

Response:

There were two cost methodology changes between FY 1995 and FY 1996 in IOCS and LIOCATT that appear to account for most of this change. These changes affected parcel unit costs in First-Class and Standard A in both mail processing (and in-office carrier costs as well). As indicated generally in response to POIR No. 4, there have been changes in IOCS and LIOCATT which lead to inconsistencies across the years. The particular cost methodology changes referred to here, which were not specifically identified in that response, lead to changes in both LIOCATT "direct" and "mixed" costs. The First-Class single-piece parcel and Standard A Regular parcel LIOCATT costs for both FY 1995 and FY1996 are shown in the Attachment to this response. This Attachment shows about half the increase is due to increases in LIOCATT "direct" costs and half the increase is due to LIOCATT "mixed" costs. For instance, the increase in the First-Class single-piece parcels LIOCATT costs of \$47.678 million can be divided into \$25.078 million increase in "direct" costs and \$22.599 million increase in "mixed" costs.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF DISTRICT PHOTO, INC., MYSTIC COLOR LAB, AND COX
SAMPLING (DMC) AS PROVIDED IN THE
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The reported increase in LIOCATT "direct" costs for these products is due to a change in the way shape for flats and IPPs were determined in the FY 1996 CRA. In FY 1996 a change was made in the IOCS data editing process (Program 40) for IOCS tallies involving shape recorded as parcel machinable or parcel outside with a piece weight less than 8 ounces. Such tallies were designated as "IPP" shape in FY 1996 instead of the designation as "flat" as done in FY 1995 and earlier. This revision had also been included in the Docket No. MC97-2 filing, see USPS-LR-PCR-38, pages 2-3 and Table 3. Table 3 of this library reference provides the Standard A Regular parcel LIOCATT costs for FY 1995 with this change, leading to nearly a 20 percent increase over the FY 1995 CRA LIOCATT costs.¹ This change also impacts city carrier in-office costs for FY 1996 and after. This leads to the reported increase in in-office costs for First-Class single-piece and Standard A Regular parcels as shown on pages 1 and 5 of the Attachment to the Response to POIR No. 4.

The increase in LIOCATT "mixed" costs arose in part due to the increase in "direct" costs, but also from a revised treatment of mixed costs. Not long before FY 1995, the mixed mail codes were reassigned into shape related mixed mail codes based on IOCS Question 19. In FY 1996, IOCS Question 19, response A (manual) was

¹ Table 3 of USPS-LR-PCR-38 shows the Standard A Regular parcel LIOCATT costs of \$120.3 million, while the attachment to this interrogatory shows the FY 1995 LIOCATT costs for this same

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
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modified to read as it does today. The modifications included the addition of Parcel Piece Distribution. Mixed mail tallies for this additional IOCS response were included in Mixed Mail Activity Code 5700. There was a large increase in activity code 5700 costs in FY 1996 (\$123 million for FY 1996 compared to \$40.3 million in FY 1995). This change only affected mail processing costs.

category to be \$101.5 million.

Attachment to Response to DMC/USPS-1

LIOCATT PARCEL COSTS

		<u>FY 1995</u>	<u>FY 1996</u>	<u>Difference</u>
<u>First-Class letters and sealed parcels:</u> (1)				
Mail processing functional costs				
Total IPPs & parcels	(2)	87,480	135,158	47,678
Total IPPs	(3)	69,208	112,391	
Total parcels	(4)	18,272	22,767	
Schedule B: Direct Mail costs:				
Total IPPs & parcels	(5)	63,267	88,345	25,078
Total IPPs	(6)	50,242	73,323	
Total parcels	(7)	13,024	15,021	
Mixed mail costs				
Total IPPs & parcels	(8)	24,213	46,813	22,599
Total IPPs	(9)	18,965	39,067	
Total parcels	(10)	5,248	7,746	
<hr/>				
<u>Standard A regular:</u> (11)				
Mail processing functional costs				
Total IPPs & parcels	(12)	101,492	138,471	36,979
Total IPPs	(13)	38,990	71,309	
Total parcels	(14)	62,502	67,161	
Schedule B: Direct Mail costs:				
Total IPPs & parcels	(15)	61,431	79,800	18,369
Total IPPs	(16)	24,849	41,993	
Total parcels	(17)	36,581	37,807	
Mixed mail costs				
Total IPPs & parcels	(18)	40,062	58,671	18,609
Total IPPs	(19)	14,141	29,316	
Total parcels	(20)	25,921	29,355	

Sources:

Clerk/mailhandler functional LIOCATTs for FY 1995 & 1996.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF DISTRICT PHOTO, INC., MYSTIC COLOR LAB, AND COX
SAMPLING (DMC) AS PROVIDED IN THE
PRESIDING OFFICER'S RULING NO. R2000-1/45**

DMC/USPS-2. Refer to the Response of Postal Service Witness Smith to POIR No. 4, Attachment page 5 of 8. Please explain the reasons why Standard A Regular parcel processing costs increased between 1995 – 1998.

Response:

The change in processing unit costs between FY 1995 and FY 1996 for Standard A Regular parcels appears to be due to changes in cost methodology as discussed in response to DMC/USPS-1. However, other cost methodology changes have yet to be discovered that could explain the unit cost increase for Standard A Regular parcels for FY 1996 to FY 1998 shown in witness Smith's response to POIR No. 4, Attachment, page 5. A similar, although somewhat smaller, increase in Standard A Regular parcel unit costs is observed for FY 1996 to FY 1998 using mail processing labor costs developed under the Postal Service's methodology as proposed in Docket No. R97-1. It should be noted that there were no significant mail preparation rule changes during these years, and the residual shape surcharge did not go into effect until FY1999.

When looking at the trends in costs by Cost Pool, several stand out. Areas with significant increases between FY 1996 and FY 1998 are P&D SPBS, P&D Platform, BMC Parcel Sorters, BMC Manual, BMC Platform, Stations and Branches Manual (LDC 43), and Non-MODS. The P&D Bulk Opening and BMC SPBS Cost Pools experienced a significant decrease. Based on the mail preparation requirements of machinable and irregular parcels, one plausible explanation for the increase in the P&D SPBS and BMC

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF DISTRICT PHOTO, INC., MYSTIC COLOR LAB, AND COX
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PRESIDING OFFICER'S RULING NO. R2000-1/45**

Manual Cost Pools is that more of these parcels are being prepared as irregulars (SPBSs can process certain irregular pieces while BMC parcel sorters cannot). When a mailing has the characteristics of and is prepared as machinable parcels, the pieces can be presorted to 5-digit destinations when volume dictates, otherwise, the pieces enter the BMC network where they are processed on the parcel sorters ultimately to 5-digit destinations. Machinable parcels should not require additional processing, manual or otherwise, in a BMC or plant, leaving an increase in irregulars as a possible explanation for these cost increases.

A significant portion of the volume prepared as an irregular parcel is labeled to and processed in the BMC network. The fact that the SPBS can process a portion of this volume, but the costs in the BMC SPBS pool have decreased while the BMC Manual pool has increased, signals that these Standard Mail (A) parcels are being replaced on the machine with other volume and pushed to more costly manual operations.

Finally, the increases in the Stations and Branches Manual and Non-MODS cost pools may be related to a general decrease in manually processed volume at the delivery units. As the volume of mail processed to the carrier route in automated operations increases, the fewer remaining pieces processed manually at delivery units, which includes Standard Mail (A) parcels, may be subject to reduced efficiencies.

RESPONSE OF UNITED STATES POSTAL SERVICE TO
INTERROGATORY OF MCGRAW HILL

MH/USPS-2. Please confirm the authenticity of the attached document as a USPS "Quality Improvement Story" prepared by Detroit Bulk Mail Center personnel. If you do not confirm, please explain fully.

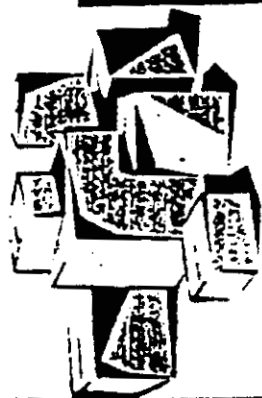
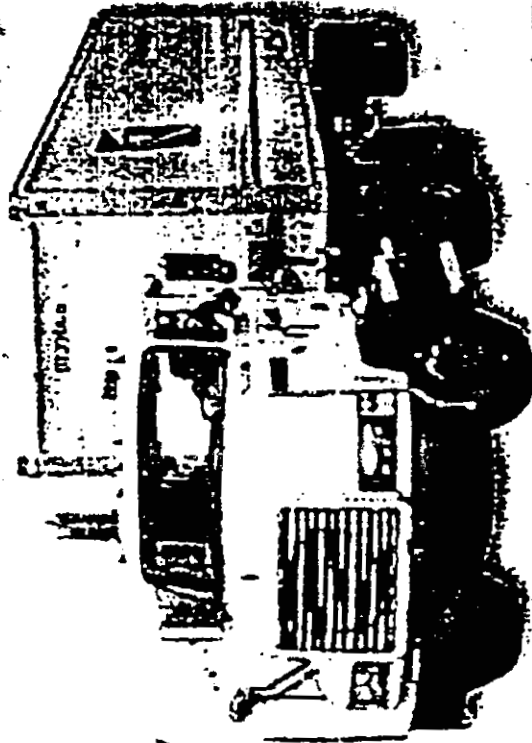
RESPONSE: Confirmed.

Fly Like an Eagle.™



DETROIT BULK MAIL CENTER

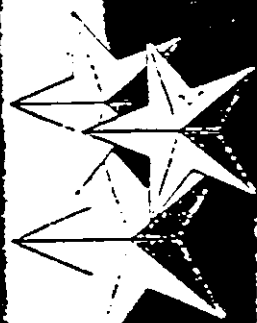
*We
Deliver
for
You!*



UNITED STATES
POSTAL SERVICE



The Team



STEPHANIE'S

Fly Like an Eagle.™



Team Sponsor: Stephanie McCarthy
Team Leader: Richard Hohenstatt
Team Members: Cheryl Gillette
Sonja Jefferson
David Mullins
Jeff Prange
Ismael Ramos
Leonard Pulinski



EAM

OF

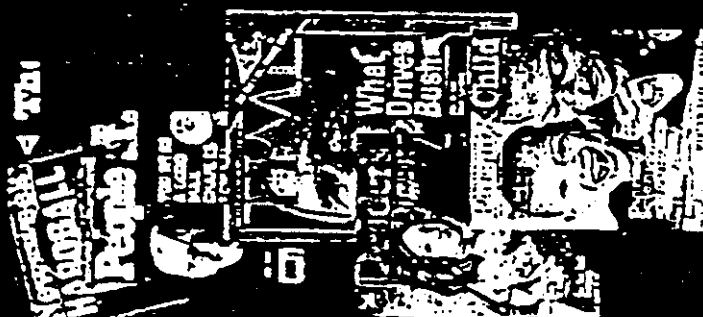
&

Goal

Fly Like an Eagle.™



Reduce or eliminate the
amount of misrouted
periodicals received at
the Detroit BMC



Problem Statement

Fly Like an Eagle.™



**84% of the periodicals
received at the Detroit Bulk
Mail Center are misrouted**

Theme

Fly Like an Eagle.™



**Investigate the cause of
receiving periodical mail entered
as originating mail from outside
the Detroit Bulk Mail Center
Service Area**

—Reason for Improvement™ Fly Like an Eagle.™

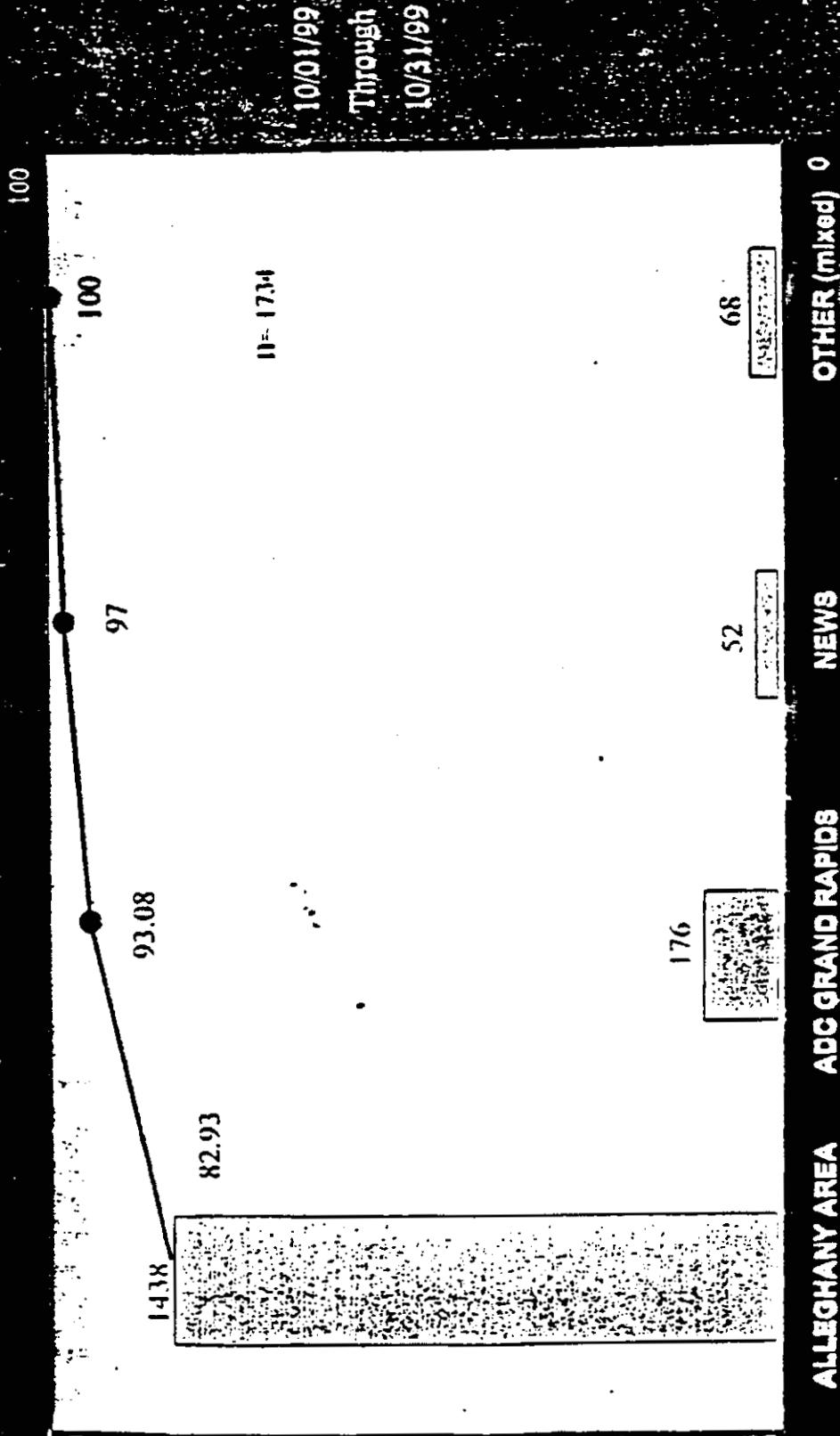


**Increase customer
satisfaction
by improving the flow
of Periodical Mail through
the BMC network**

**CUSTOMER
PERFECT!**
...first time, every time

Current Situation

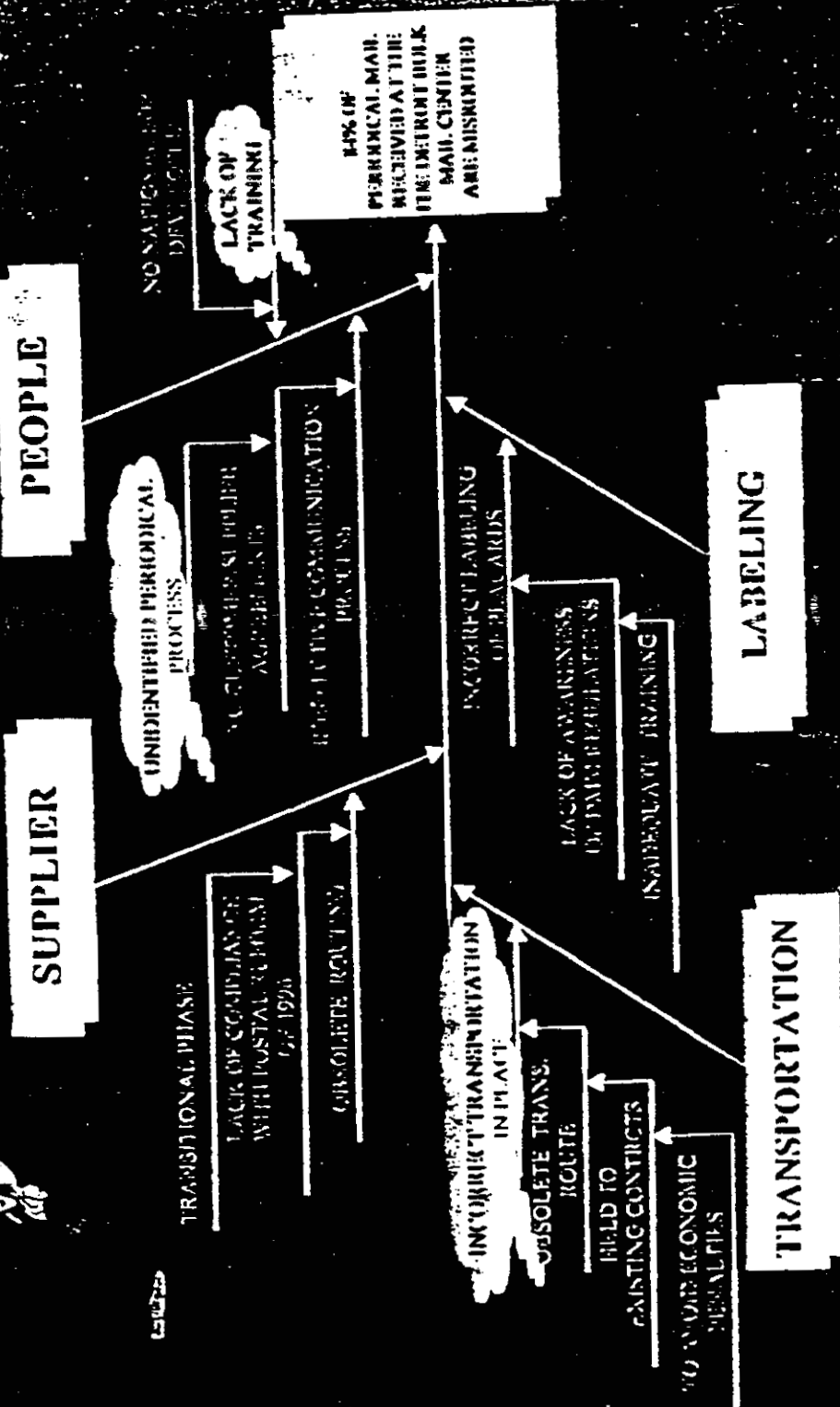
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-Analysis

Fly Like an Eagle.™

CAUSE AND EFFECT ANALYSIS

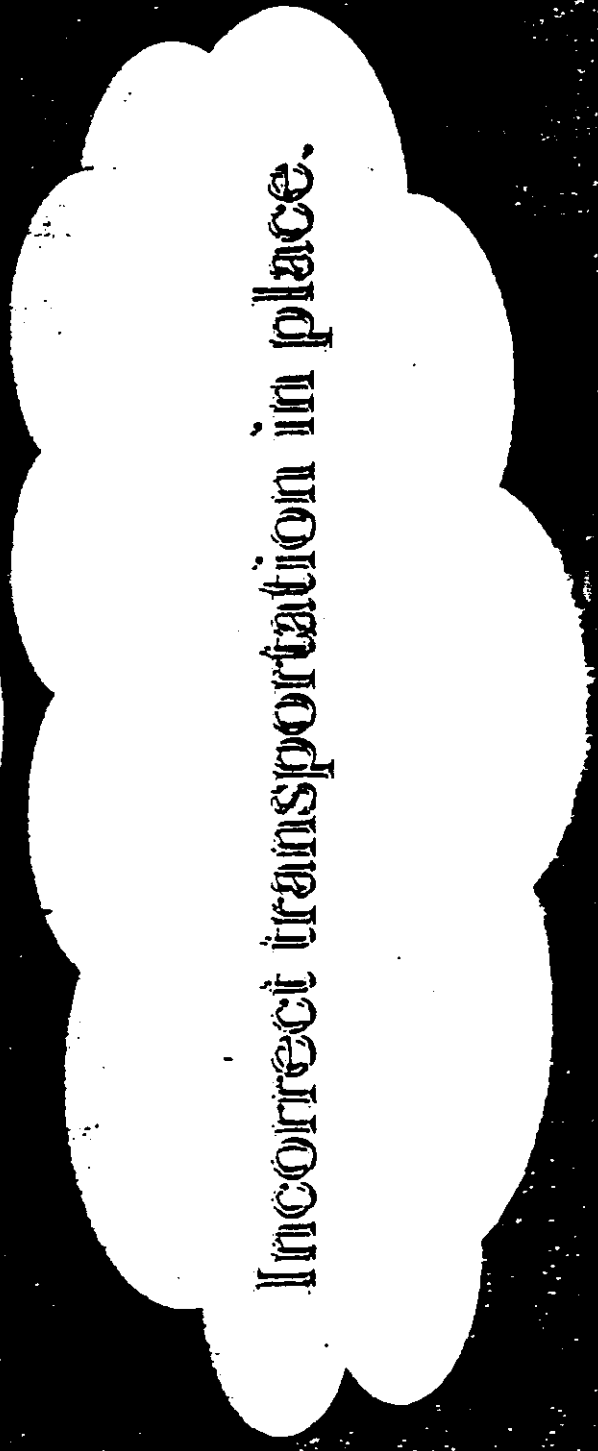
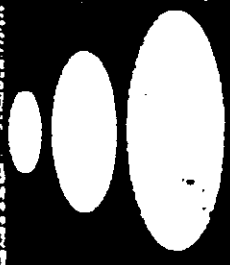


- PRIMARY CAUSE



Fly Like an Eagle.™

TRANSPORTATION



Incorrect transportation in place.

—PRIMARY CAUSE

Fly Like an Eagle.™

PEOPLE

Unidentified periodical process

—PRIMARY CAUSE

Fly Like an Eagle.™

PEOPLE

Lack of training

Countermeasures

Fly Like an Eagle.™



Scale

1-NONE

2-SOMEBWHAT

3-MODERATE

4-VERY

5-EXTREME

84% of
Periodical mail
Received at the
Detroit Bulk Mail
Center
are misrouted

Track of
mailing

Transportation
in Place

Train

Develop
Local
SOP

Correct the
Current
Routing

Gain Suppliers
Buy-In

EFFECTIVENESS:	FEASIBILITY:	ON-DATE:	ACTION:
5	5	20	
5	5	20	
5	5	20	
5	5	25	
5	5	25	
5	5	25	
5	5	25	
5	5	25	

—Countermeasures



Inform
responsible
parties of
correct
routing.

Show
advantages of
proper
routing.

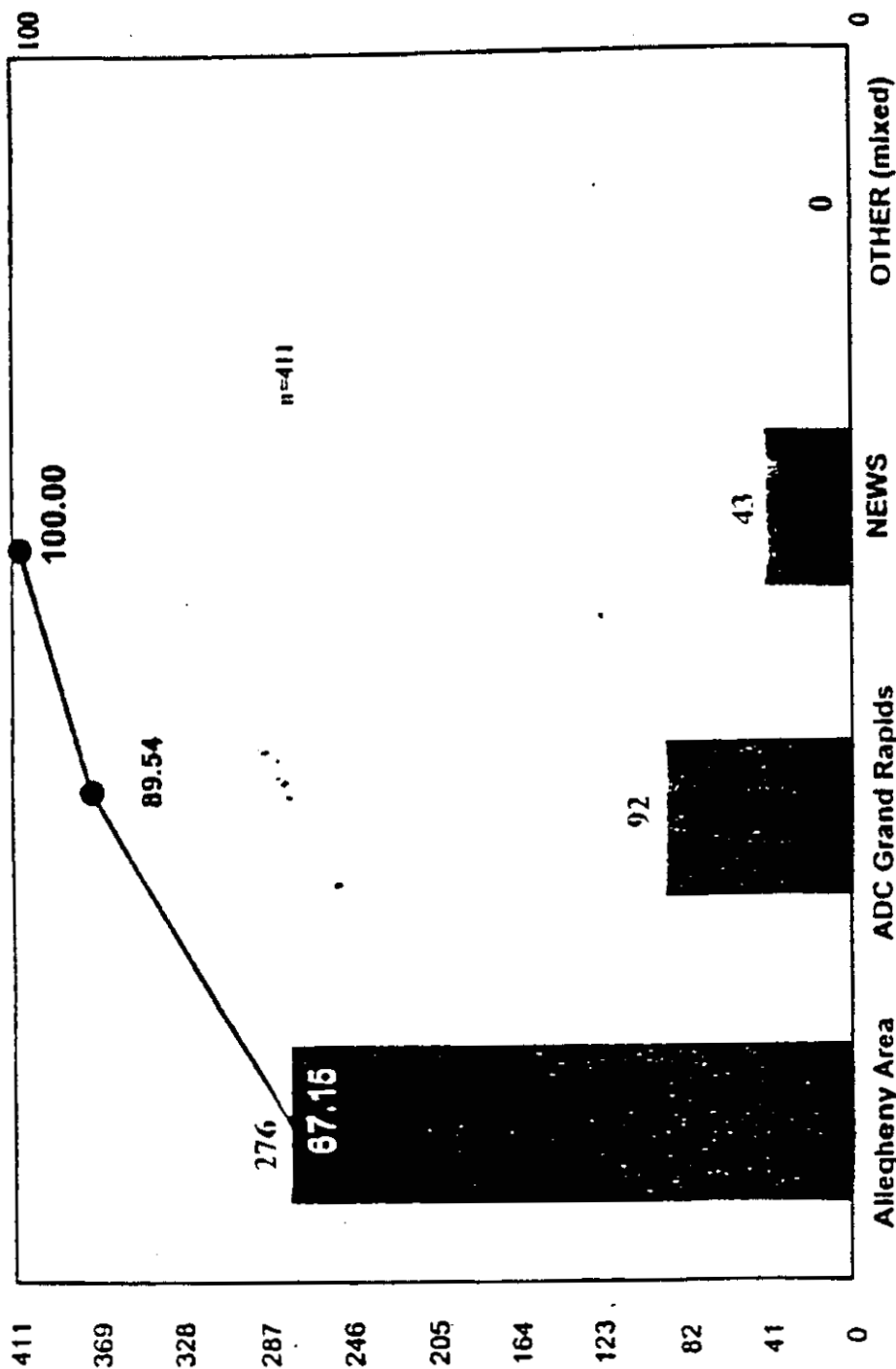
Work
separately
with supplier

Results

Fly Like an Eagle.™

02/01/00
Through
02/29/00

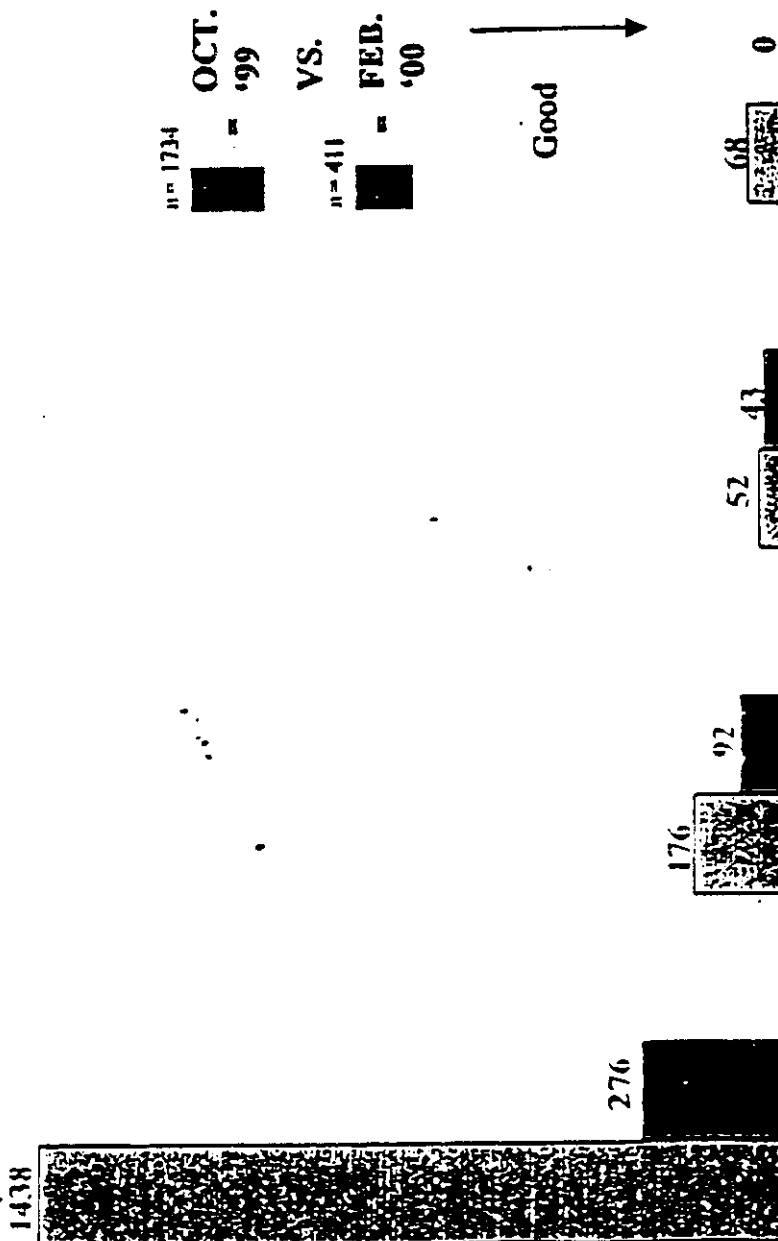
Results Pareto





—COMPARISON CHART™
Fly Like an Eagle.

Misrouted Periodicals by Type



—CONVERSION RATE

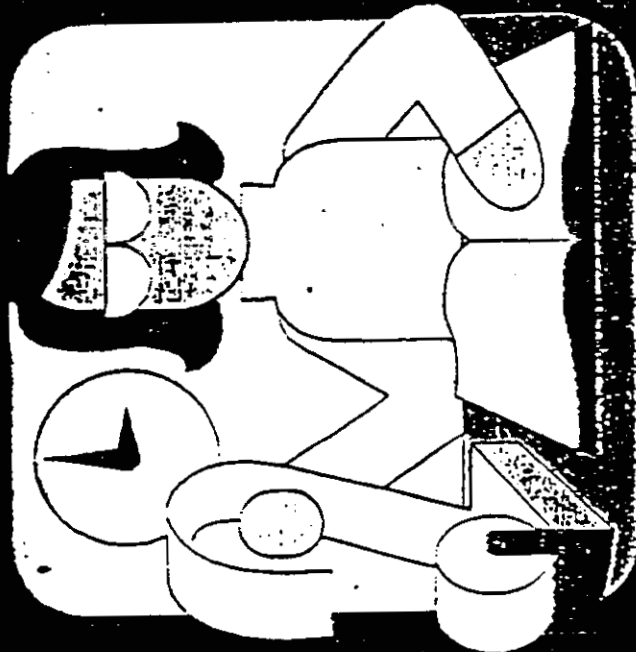
Fly Like an Eagle.™



All charts are shown in pallets.

1734 Pallets equates to 26,000 sacks or

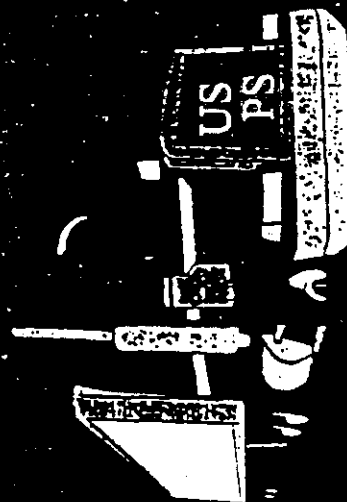
26 trailers of mail



SERVICE SAVINGS ANALYSIS *Fly Like an Eagle.*TM



The findings of the team determined that by correcting the misrouting there was a savings of at least one service day per trip.



Current routing - Mansfield to Detroit BMC to Cincinnati BMC = 3 service days

Corrected routing- Mansfield to Cincinnati BMC = 2 service days

Future Plans

Fly Like an Eagle.™



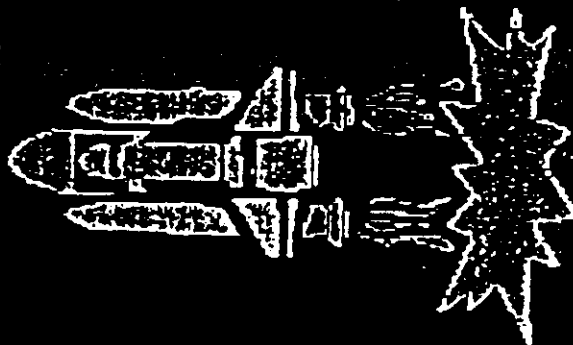
1. Continue working in conjunction with the Allegheny area to eliminate any misrouted Periodical mail sent to the Detroit Bulk Mail Center.
2. Focus attention on improperly sorted Periodical ADC Grand Rapids pallets being received at the Detroit Bulk Mail Center.

—Future Plans

Fly Like an Eagle.™



3. Train EVERY employee at the Detroit Bulk Mail Center on the importance of expediting Periodical mail.



**RESPONSE OF UNITED STATES POSTAL SERVICE TO
INTERROGATORY OF MCGRAW HILL**

MH/USPS-3. Please produce copies of the following documents referred to in the testimony of USPS witness O'Torney (ST-42), p. 19, lines 5-7, p. 20, lines 8-10, p. 22, lines 21-23, and page 23, lines 1-3:

(a) the March 1998 Strategic Improvement Guide for Flats Processing (Pub. 128), prior to its September 1999 update;

(b) the referenced "instructions to the field re-stating national policies concerning FSM utilization, maximizing automation processing, and the proper staffing for all FSM operations;

(c) the referenced "instructions to the field on various operating procedures specifically related to the following: the induction of flats bundles into the SPBS, preferred recovery methods for bundles which have broken prior to reaching piece distribution operations and instructions regarding individual piece distributions on the SPBS."

RESPONSE:

(a) See USPS-LR-I-378.

(b) See Attachment A to this interrogatory.

(c) See Tr. 5/1705 and Attachment B to this interrogatory.

ATTACHMENT A
MH/USPS - 3
PAGE 1 OF 1

PROCESSING OPERATIONS



May 28, 1999

MANAGERS, OPERATIONS SUPPORT (AREAS)

SUBJECT: Flat Sorting Operation Complement Plan

As you know, along with concentration on improved utilization, we are making dramatic changes to flat sorting operations. Those changes include completed modifications to the Flat Sorting Machine (FSM) 881's and 1000's and will continue with deployment of the Automated Flat Sorting Machine (AFSM) 100's in Fiscal Year (FY) 2000. Impacted sites need to aggressively pursue development and implementation of related employee impact plans to capture position savings.

The addition of Optical Character Reader (OCR) capability to FSM 881 and Bar Code Reader (BCR) to FSM 1000 equipment has decreased flat keying requirements. Unfortunately, many sites have yet to begin active pursuit of related position reductions and complement mix changes. The number of FSM Operators, PS-5 and -6, on-rolls has decreased by 448 operators in the past year (PP 10 FY '98/99), predominantly through attrition. This is during the same time period that we promoted a strategy of severely reducing the use of those positions and replacing them with Mail Processors, PS-4. Further, while we sought to facilitate those actions by entering into a downsizing agreement with the American Postal Workers' Union (APWU) few installations are using the agreement. Instead FSM operator counts have seen only modest reductions, other career mail distribution employee numbers are growing, and Transitional Employee (non-remote encoding center) numbers are decreasing, when we would expect the opposite effects.

Automated Flat Sorting Machine deployment sites have been identified and volume and productivity estimates made available. We must posture offices for AFSM related position savings now. The avenue to that end is complement planning, development of impact statements, union notification of employee impact, and application of Article 12 withholding, if necessary including use of Transitional Employees under TE I agreement provisions. Present OCR/BCR flat sorter capacity provides an opportunity to eliminate scheme keying at PS-6 levels and move residual volumes to PS-5 manual distributors in Function 4. Automated Flat Sorting Machine savings in Phase 1 will come from moving manual flats distribution previously beyond plant capacity from Function 4 locations to the plants. We are moving to virtual elimination of machine keying requirements. These PS-5 and -6 operator positions, along with impacted manual distribution positions, should be held pending reversion after the impacted positions have been identified and impact statements provided to the APWU. Appropriate numbers of other career positions should be withheld for placement of impacted employees after the required union notification.

Your attention to these considerations and assistance to field sites is needed to assure committed savings are achieved.

A handwritten signature in cursive script that reads "Walter O'Torney".
Walter O'Torney
Manager

Attachment

cc: Mr. Potter, Mr. Rapp, Mr. Siegel, Mr. Goldstein

475 L'ENFANT PLAZA SW
WASHINGTON DC 20260-2804
202-268-4305
FAX 202-268-5388

ATTACHMENT B
MH/USPS-3
Page 1 of 2

PROCESSING OPERATIONS



December 30, 1999

MANAGERS, IN-PLANT SUPPORT (AREA)

SUBJECT: Periodical Package Breakage Recovery Methods

A recent survey has found that approximately 17 percent of mailer-prepared periodical flat packages in sacks are breaking either before or during induction into USPS processing operations. Periodical flat packages on pallets are breaking at the rate of approximately 0.5 percent. System-wide this equates to approximately 50 million broken periodical packages per year. These broken packages have proved costly to recover and process.

The attached report has tried to identify some of the methods of package recovery and the added costs associated with the different methods. Although this letter is mainly addressing periodical flat packages, these methods are also applicable to Standard A flat packages.

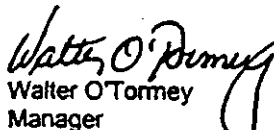
Clearly, the most economical method of package breakage recovery is to recover the broken packages as originally secured by the mailers at induction and re-band them using rubber bands and/or strapping machines and re-induct them into the system. This is the preferred method and should be utilized whenever the package integrity is sufficient to identify the contents because it retains the correct presort level.

If the packages have broken and lost their integrity, they should be recovered and, whenever possible, faced and put directly into the proper container, i.e., flat tub, u-cart etc., for further processing on the appropriate Flat Sorter Machine (FSM) sort program.

The least economical method is incurred when the broken package is keyed as individual pieces on the Small Parcel Bundle Sorters (SPBS). Productivities are considerably lower on the SPBS as compared to the FSM. Not only is this process a great deal more expensive, it also inflates SPBS volumes. At no time should this method be used as a processing option.

When you receive large volumes of broken packages from the same mailing, it is imperative that mail preparation irregularity reports (PS Form 3749) are filled out and the mail preparer and publisher/advertiser are notified.

Please disseminate this information to all Plant Managers for their action. If you have any questions as it relates to this request, please contact Patrick Killeen at (202) 268-2473.


Walter O'Torney
Manager

Attachment

MAIL FLOWS AND COST ANALYSIS FOR BROKEN PERIODICAL PACKAGES

20821

Assigning precise cost for package breakage is difficult to achieve with certainty, even under the most rigorous analysis. We have tried to identify the costs of processing broken packages showing the different recovery methods and processing options utilizing current rates, costs, and productivities.

ASSUMPTIONS

A labor rate of \$28.44/hour was used in assigning cost.

An average of 12.66 pieces per package.

An average of one-half minute (30 seconds) taken to repackage and reintroduce broken packages.

An average keying cost per 1000 of \$50.44 on FSM based on FY 99 final numbers.

An average productivity of 246 pieces per hour on SPBS.

Periodicals are incoming distribution being processed in a mechanized plant.

SUMMARY

- A.) Package broken, recovered at induction intact and reinducted.
Cost of repackaging package approximately .018 per piece/.237 per package.
No other expense incurred.
- B.) Package broken recovered at induction, loses identity and is sent to FSM.
Cost of repackaging package approximately .018 per piece/.237 per package plus the following added costs depending on sortation level.
 - 1. A carrier route (CR) package could incur two additional sortations on an FSM at a cost of approximately .100 per piece/1.266 per package.
 - 2. A 5-digit (5D) package could incur one additional sortation on an FSM at cost of approximately .050 per piece/.633 per package.
 - 3. All other packages incur no additional sortation.
- C.) Package broken and keyed individually.
Cost of keying each piece individually on SPBS of approximately .115 per piece /1.463 per package plus the following added expenses.
 - 1. A CR package could incur two additional sortations on an FSM at a cost of approximately .100 per piece/1.266 per bundle.
 - 2. A 5D package could incur one additional sortation on an FSM at a cost of approximately .050 per piece/.633 per bundle.
 - 3. All other packages incur no additional sortations.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORY OF MCGRAW HILL

MH/USPS-4. With reference to USPS-LR-I-81 and USPS-LR-I-90, please confirm that the following volumes of machinable, prebarcoded, non-carrier route flats in BY 1998 for First-Class, Periodicals, and Standard A mail, respectively:

First-Class:	175,794,280 pieces.	
Periodicals (Regular and Nonprofit):		3.196 billion pieces.
Standard A (Regular and Nonprofit):		7.185 billion pieces.

If you do not confirm, please provide the correct volumes and explain how they were derived and calculated.

RESPONSE:

Not confirmed. USPS LR-I-81, Mail Processing Unit Cost by Shape, does not present machinable, barcoded, non-carrier route volumes. USPS LR-I-90, Flats Mail Processing Cost Model, does present machinable, barcoded, non-carrier route volumes.

Please note that USPS LR-I-90 uses total volumes simply as the means to the end of determining Test Year volume shares (or percentages of total) for each modeled worksharing element combination. USPS LR-I-90 maintains that the volume *shares* that are essentially based upon combinations of historical data from mail characteristics surveys and from billing determinants are projected Test Year volume *shares*.

Total volumes of machinable, barcoded, non-carrier route flats based upon USPS LR-I-90 data are:

First-Class:	182,888,880 pieces
Periodicals (Regular and Nonprofit):	2,685,981,624 pieces
Standard Mail (A) (Regular and Nonprofit):	7,857,971,040 pieces.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORY OF MCGRAW HILL**

These volumes are calculated by summing the respective sacked and non-sacked volumes for scenarios 4, 8, 12, 16, 20, 24, 28, 34, 38, and 44 from USPS LR-I-90, pp. 37, 39, 41, 43, and 45.

**RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF
MAJOR MAILERS ASSOCIATION
(Redirected from witness Miller, USPS-T-24)**

MMA/USPS-T24-23. Please refer to your answer to MMA/USPS-T24-18. There you list the BMM and Automation unit costs for each of the cost pools that you omitted from your analysis.

- (a) Please provide the FY 1999 unit costs in the same format as provided there.
- (b) Please discuss the reasons for any changes that might result in cost pools for

- 1) MODS 1PLATFORM
- 2) MODS 1SACKS H
- 3) MODS 1SUPP F1
- 4) MODS 1SUPP F4
- 5) NONMODS MISC

Response:

- (a)-(b) This material is not available. It has not been prepared as part of the response to Order No. 1294.
-

**RESPONSE OF THE POSTAL SERVICE TO INTERROGATORIES OF
OFFICE OF THE MAJOR MAILERS ASSOCIATION**

MMA/USPS-ST44-7

Please refer to USPS-ST-44A.

20825

- (a) Please confirm that the Postal Service projects a \$275.3 million loss in the test year after rates? If you cannot confirm, please provide the correct net revenue impact of the updated costs to FY 1999.
- (b) Is the \$275.3 million loss acceptable in order for the Postal Service to meet its breakeven mandate? Please explain.
- (c) If your answer to part (b) is no, please explain what changes the Postal Service has made to its originally proposed rates in order for it to break even.

Response:

- (a) Answered by witness Patelunas.
- (b) The approximate \$475.3 deficiency reflected in the revised response to Presiding Officer's Information Request No. 14 resulted from the Postal Service's response to PRC Order No. 1294 and does not represent a change to the Docket No. R2000-1 Request.
- (c) See the response to b.

**Response of United States Postal Service
to Interrogatories of
Major Mailers Association
(Redirected from witness Patelunas, USPS-ST-44)**

Revised 8/2/00

MMA/USPS-ST44-8 Please provide the volume variable costs using the Commission's cost attribution methodology, in addition to the volumes and revenues for the test year after rates, by filling in the attached table marked "Attachment to MMA/USPS-ST44-8." Please provide the sources for each figure as well.

Response:

The costs that should be used to complete Attachment to MMA/USPS-ST44-8 are found in USPS-LR-I-424, Order No. 1294/PRC Version/Rollforward(Hard Copy), Volume G, Table E, "D Report", revised 8/2/00 by USPS-LR-I-442. The volumes associated with these costs can be found in Exhibit USPS-T14A, page 10. The revenues associated with these costs can be found in two places: 1) aggregate amounts are shown in Exhibit USPS-ST44C, and 2) class, subclass and special service detail can be found in Exhibits USPS-32 B, as revised on 4/21/00.

Response of United States Postal Service
to Interrogatories of
Major Mailers Association
(Redirected from witness Patelunas, USPS-ST-44)

Revised 8/2/00

MMA/USPS-ST44-9 Please provide the volume variable costs using the Commission's cost attribution methodology, in addition to the volumes and revenues for the test year before rates, by filling in the attached table marked "Attachment to MMA/USPS-ST44-9." Please provide the sources for each figure as well.

Response:

The costs that should be used to complete Attachment to MMA/USPS-ST44-8 are found in USPS-LR-I-424, Order No. 1294/PRC Version/Rollforward(Hard Copy), Volume G, Table E, "D Report", revised 8/2/00 by USPS-LR-I-442. The volumes associated with the costs as presented in USPS-LR-I-424 can be found in Exhibit USPS-T14A, page 10. The revenues associated with the costs as presented in USPS-LR-I-424 can be found in two places: 1) aggregate amounts are shown in Exhibit USPS-ST44C, and 2) class, subclass and special service detail can be found in Exhibits USPS-32 B, as revised on 4/21/00.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF MAJOR MAILERS ASSOCIATION
(REDIRECTED FROM WITNESS THRESS)**

MMA/USPS-ST46-1. Please refer to USPS-LR-I-439, page 1. The volume figures shown there for Priority Mail and Express Mail for the test year after rates differ from those shown in USPS witness Mayes response to POIR No. 1, Question 4, page 2. Please fully explain the reasons for these changes.

RESPONSE:

We assume that the citation in the first sentence of the question should be to USPS-LR-429 (Order No. 1294/PRC Version/Development of Rollforward Final Adjustments), page 3.

The TYAR Priority Mail and Express Mail volumes shown in witness Mayes' response to POIR No. 1, Item 4, page 2, (which are also those shown in her response to POIR No. 16, Attachment page 5), are correct for her purposes. The Priority Mail volume she shows there is the volume after adjustments by witness Robinson for the volume effects of Delivery Confirmation, which are detailed in witness Robinson's testimony (USPS-T-34) at pages 19-20 and in her Attachment J. This adjustment properly causes witness Mayes' Priority Mail volume to be different from that shown in the testimony of witness Musgrave (USPS-T-8, pg. 6). The Express Mail volume shown by witness Mayes, however, is that forecast by witness Musgrave and shown in his testimony.

The TYAR Priority Mail and Express Mail volumes shown on page 3 of USPS-LR-I-429 are incorrect. (That library reference relates to the PRC version of the updated Rollforward Final Adjustments; the same conclusion holds true for the updated Postal Service version shown in USPS-LR-I-419.) They properly should match the

Priority Mail and Express Mail volumes shown by witness Musgrave in USPS-T-8. (The Delivery Confirmation adjustments originally made by witness Robinson for Priority Mail play no role in the Rollforward Final Adjustment process documented in LR-I-419 and 429. Instead, in the context of the Order No. 1294 update, the Delivery Confirmation adjustments in the Postal Service version are shown in Section II of LR-I-420 and, in the PRC version, in Section 6 of LR-I-430.) It appears that the Priority Mail and Express Mail volumes shown in USPS-LR-I-429 and 419 reflect an earlier iteration of Dr. Musgrave's forecast. Although the volume numbers for Priority Mail and Express Mail shown in LR-I-429 and 419 are incorrect, this has no impact on the Rollforward Final Adjustment process, as the results of that process happen to be unaffected by changes in the volumes of those two particular subclasses (assuming that the correct volumes have been used in the rollforward itself, which is the case here).

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY OF THE
MAGAZINE PUBLISHERS OF AMERICA

MPA/USPS-4. Please provide any documentation or information available, including any documentation or information from the delivery redesign project, on the following:

- (a) Proportion of parcels delivered by city letter carriers that cause a non-routine delivery, i.e., the carrier must deliver the mail to a location other than the routine delivery point location.
- (b) Proportion of parcel deliveries where more than one parcel is delivered to an address.
- (c) Proportion of parcels delivered by city letter carriers that require the carrier to either interact in some way with the recipient or leave a written notice.
- (d) Guidelines on the type of parcels which -- or circumstances where -- the city letter carriers are required to physically hand to a customer rather than deliver to the normal mail receptacle.
- (e) Proportion of accountables delivered by city letter carriers that cause a non-routine delivery, i.e., the carrier must deliver the mail to a location other than the routine delivery point location.
- (f) Proportion of accountables on city letter routes where the carrier simply leaves a notice in the mail receptacle rather than delivers the accountable.
- (g) Circumstances under which the carrier does not have to conduct a transaction with a customer but rather can deliver it to the normal mail receptacle.

RESPONSE:

- (a) No data are available.
- (b) No data are available.
- (c) No data are available.
- (d) Carriers are to physically hand to a customer any mail, including parcels, which require a signature. Any mail, including parcels, that cannot be placed in the mail receptacle must be handed to the customer unless the customer has agreed *a priori* to some other process, for example, putting the mail behind a storm door. Often carriers hand mail directly to customers if they are outside, even though that practice is not required.

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- (e) All accountables by definition require a customer signature and therefore are 'non-routine' deliveries.
- (f) No data are available.
- (g) *In general, carriers are to deliver mail to the normal mail receptacle except as indicated in (d) and (e).*

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MPA/USPS-5. For all city delivery carrier letter routes for 1996 and 1998, please provide an estimate, and all available documentation, of:

- (a) The proportion of letters which were DPS.
- (b) The proportion of letters which were Sector Segment.
- (c) Any differences in (a) or (b) by route type.

RESPONSE:

- (a) The proportion of letters that were DPS is provided below. Estimates are based on USPS FLASH data (End of Run reports and DSIS cased letter volumes).

<u>YEAR</u>		<u>PERCENTAGE</u>
1988	-	unavailable
1996	-	22.5%
1998	-	43.1%.

- (b) No estimates are available for Sector Segment.
- (c) No estimates are available by route type.

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MPA/USPS-6. For all city delivery carrier letter routes for 1988, 1996, and 1998, please provide an estimate, and all available documentation, on:

- (a) The proportion of multiple delivery, central, dismount, or VIM room stops/deliveries which received no carrier in-office casing.
- (b) The amount of volume for such stops/deliveries.
- (c) The extent to which that volume has to be cased at the delivery point by a city carrier or is simply dropped off for another individual to distributed.
- (d) Whether the City Carrier Cost System (CCS) collects data on the types of stops and volumes in (a) and (b) above.

RESPONSE:

- (a) There are no data available by delivery type, stop type, or delivery mode that distributes those entities or the volume of mail in those entities by carrier casing or no carrier casing in a particular office.
- (b) There are no data available by delivery type, stop type, or delivery mode that distributes those entities or the volume of mail in those entities by carrier casing or no carrier casing in a particular office.
- (c) There are no data available by delivery type, stop type, or delivery mode that distributes those entities or the volume of mail in those entities by carrier casing or no carrier casing in a particular office. As such, there are no data available on the volume of mail in such entities that is simply dropped off for another individual to be distributed. While the City Carrier Cost System (CCS) provides various estimates for the multidelivery stop type, it does not provide the estimates requested in parts (a) and (b) above. The CCS did not collect data that allows for the estimates in (a) and (b) for VIM room stops/deliveries in 1988, 1996, or 1998.

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MPA/USPS-7. Please explain the following, using current USPS definitions and distinctions for city letter routes:

- (a) Are Central or NDCBU mail receptacles ever served through a curblane delivery?
- (b) When the carrier uses a vehicle to at least partially access a stop, what are the differences among NDCBU, central, multiple-delivery "other," and dismount deliveries?
- (c) When the carrier is on foot during the entire access to a stop, what are the differences among NDCBU, central, and multiple-delivery "other" deliveries?

RESPONSE:

- (a) Yes, on rare occasions.
- (b) NDCBU (neighborhood delivery and collection box unit) mail receptacles are owned by the Postal Service and are typically installed outside, opened with an arrow key, and are either front or back loaded and serve multiple customers. Centrals are very similar to NDCBU's in design but are privately owned and are more often installed inside (for example, an apartment house). The customers (or landlord) provide keys to the boxes. An example of a multiple delivery "other" is a bank of individual boxes that can be accessed at one stop. Typically, no keys are needed by the Postal service to place mail in the boxes, for example, 2 or more rural type curbside boxes at a stop or a bank of 2 boxes (usually at the door) used to service a duplex. The best way to describe a dismount is something between a park and loop and curblane. Typically, the satchel is not used because there are at most only a few delivery points before the carrier moves the vehicle to another park point. Often segments on business routes and residential routes with large distances between stops (often fenced or wooded) are dismounts.

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- (c) Delivery types are not conditioned by mode of travel while accessing the stop.

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MPA/USPS-8. For city delivery carriers with assigned letter routes, please provide for 1988, 1996, and 1998:

- (a) Their total Cost Segment 6 and 7 cost.
- (b) The proportions of time spent in-office and out-of-office.

RESPONSE:

(a) – (b) The requested data are presented in the table below. 1989 data have been substituted for 1988 data, since 1988 results are unavailable. Note that the total segment 6 (in-office) and total segment 7 (street-time) costs are the costs presented at the top of the 7.0.4.1 tabs presented in the FY 89, FY 96, and FY 98 segment 6/7 worksheets. Both cost totals exclude training costs. Also, clocking-in/clocking-out costs are included as office-time costs, and all relay costs are included as street-time costs.

	POSTAL FISCAL YEAR		
	1989	1996	1998
Total Letter Route Segment 6 Cost (\$1,000)	3,243,292	3,376,902	3,537,633
Total Letter Route Segment 7 Cost (\$1,000)	4,675,293	7,173,042	7,487,576
Street-Time Proportion	59.04%	67.99%	67.91%
Office-Time Proportion	40.96%	32.01%	32.09%

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MPA/USPS- 11. Please refer to USPS Form 3999 shown in Appendix E of USPS-T-13 and explain the following:

- (a) The purpose of the form,
- (b) How the form is used.
- (c) When and how often the form is used.
- (d) How often the form is revised.
- (e) Who fills out the form.

RESPONSE:

(a) This form is a recap of the delivery sequence file and is a tool that can be used during City Delivery Route Inspections. This form gives the Route Examiner a listing of the current possible delivery points currently on the route.

(b) The Route Examiners may use this form when they accompany the carriers during a route inspection. As the examiner walks with the carrier, he will verify the actual number of possible delivery points that are on a route and indicate if the delivery point is serviced on the day of inspection. In addition to the number of possible and made deliveries the examiners will track the actual time used to service sector segments (ZIP+4 block ranges of deliveries). This collected data is used to determine the time value of the street territory during route structuring or adjustments.

(c) As stated above, the primary use of the form is for collecting the street information needed during route inspections. This form can also be used for daily street management of the city delivery routes. Route Inspections are performed when the routes grow in workload (delivery points or volume) to a point where the carriers need additional time to complete the assignments.

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(d) The elements on the form collected during the Route Inspection are negotiated with our unions and not changed on a regular basis.

(e) Delivery managers or Route Examiners.

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MPA/USPS- 12. Please refer to USPS Form 3999 shown in Appendix E of USPS-T-13 and define and distinguish among the following terms and explain fully how each is measured:

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- (a) Reference volume
- (b) Total cased volume
- (c) Total delivered volume

RESPONSE:

- (a) This is the normal amount of mail volume that the carrier has demonstrated can be handled in the office on an average day for that route. This amount is determined during the route inspection where mail volumes are counted for a week. The route is then configured as close as possible to create an eight-hour workday, four hours in the office and four hours on the street.
- (b) This is the normal amount of mail that the carrier will case (sort in the office) on an average day based on route inspection data. . See (a).
- (c) This is the normal total amount of mail that the carrier will handle and deliver on an average day based on route inspection data. See (a).

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES
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MPA/USPS-48. Please refer to W/S 10.0.3 P1 in USPS LR-I-80, CS10.xls. This worksheet calculates the mail shape adjustment, which reclassifies Rural Carrier Cost System (RCCS) letters as flats to ensure that letters as a percentage of letters plus flats (the flats percentage) matches letters as a percentage of letters plus flats in the National Mail Count. Please provide a revised version of CS10.xls using a mail shape adjustment that is calculated using annual RCCS data.

RESPONSE

This revised version of CS10.xls will be presented in a new Postal Service

Library Reference, USPS LR-I-335.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES
OF THE MAGAZINE PUBLISHERS OF AMERICA

MPA/USPS-49. Please refer to your response to MPA/USPS-1 (b), which states that the RCCS survey "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 RCCS tests were conducted.

- a. Please provide the coefficient of variation for the RCCS flats percentage derived from the 352 tests conducted during the four-week National Mail Count.
- b. Please provide the coefficient of variation for the RCCS flats percentage derived from all 6,000 tests.
- c. What percentage of RCCS tests during the four-week period were rescheduled due to conflicts with the National Mail Count?

RESPONSE

To calculate coefficients of variation for the flats percentages, the flats percentage is defined as a ratio of two random variables - total flats (or mean flats), over total letters plus flats (or the sum of mean letters and mean flats). Each of the flats percentages is regarded as a sample estimate of this ratio. The formula for the standard error of these sample estimates is William Cochran's equation 2.46, found on page 32 of Sampling Techniques (John Wiley & Sons, 1977). The coefficient of variation is equal to the standard error divided by the estimated flats percentage.

- a. The coefficient of variation is estimated to be 2.4% for the flats percentage derived from the four-week National Mail Count is derived from 333 tests that have both letters and flats volumes. (The revised response to MPA/USPS-1 states that there are 333 RCCS tests during the four weeks of the National Mail Count.) These 333 tests produce a flats percentage of 34.1%. The estimated standard error of this percentage is 0.0082510. This standard error

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divided by the flats percentage of 34.1% produces a coefficient of variation of 2.4%.

- b. The coefficient of variation is estimated to be .64% for the flats percentage derived from the full year sample. This estimate is derived from the 5,929 tests that have both letters and flats volumes. These 5,929 tests produce a flats percentage of 32.0%. The estimated standard error of this percentage is 0.0020447. This standard error divided by flats percentage of 32.0% produces a coefficient of variation of 0.64%.
- c. The Postal Service does not track reschedules by cause. Originally, 406 tests were scheduled to be conducted during the four-week period. Of those, 106 were ultimately conducted outside of the period.

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MPA/USPS-50. Please confirm that the Postal Service has always used annual RCCS volumes (collected from the over 6,000 tests conducted throughout the entire year) to form the distribution keys used to allocate volume-variable rural Carrier costs to mail subclasses.

RESPONSE

Confirmed.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES
OF THE MAGAZINE PUBLISHERS OF AMERICA

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MPA/USPS-51. Please refer to column 10 in W/S 10.1.1 in LR-I-80, CS10.xls.

- a. Please confirm that the \$762.266.000 estimate listed in cell L12 is the Postal Service's estimate of total annual volume-variable cost for the delivery of flats. If not confirmed, please explain.
- b. Please also confirm that this \$762.266.000 volume-variable cost, although an annual cost, is derived through an analysis of only four weeks of volume data collected during the National Mail Count. If not confirmed, please explain.
- c. Please confirm that the Postal Service uses four weeks of National Mail Count data to derive annual volume-variable cost estimates because it regards the average Mail Count volumes by shape as representative estimates of average volumes by shape for all of FY 1998.

RESPONSE:

- a. Confirmed.
- b. Confirmed.
- c. Confirmed. The first step in the estimation of annual volume-variable costs for each of the variable evaluation categories (letters delivered, flats delivered, etc.) is to multiply average weekly volumes per route derived from the four-week National Mail Count by the appropriate evaluation-factor minutes per piece. This multiplication produces estimated carrier workhours per route for the different categories. The volume-variable cost for each category is set equal to that category's percentage of gross total weekly carrier time in all the variable-evaluation categories times total annual volume-variable cost. Thus, it is certainly true that the Postal Service's measures of annual volume-variable cost for the variable evaluation categories are based on volumes from just the four-week National Mail Count. This result implies that the Postal Service regards average weekly Mail Count

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volumes as constituting representative estimates of average weekly volumes
over the entire FY 1998 period.

Response of United States Postal Service
to
Interrogatories of Magazine Publishers of America, Inc.

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MPA/USPS-52. Please refer to the PRC Revised RPW Data Version of the Cost Segments and Components report for Fiscal Year 1998. Please further refer to USPS LR-I-130, Section 6, giving the PRC version of the Cost Segments and Components report for BY 1998. In particular, please refer to the Cost Segment 7 portions of each of these documents, which show total periodicals costs of \$148,903,000 and \$198,442,000, respectively.

a: Please confirm that the PRC Revised RPW Data Version of the Cost Segments and Components report for Fiscal Year 1998 does not reflect the changes to the costing method for Cost Segment 7 that are being introduced in R2000-1 by the study reported by witness Raymond, USPS-T-13.

b. Please confirm that the PRC version of the Cost Segments and Components report for BY 1998 given in USPS LR-I-130 does reflect the changes to the costing method for Cost Segment 7 that are being introduced in R2000-1 by the study reported by witness Raymond.

c. Please explain whether there are any additional substantial differences in the costing methods used for the Cost Segment 7 portions of these two documents, other than the changes introduced by the study reported by witness Raymond.

d. If there are any additional substantial differences in costing methods given in (c), please estimate the portion of the change in total periodicals Cost Segment 7 costs due to each of these differences.

Response:

(a) Confirmed.

(b) Confirmed.

(c) There are no other substantial differences between the two documents.

(d) Not applicable.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF THE MAGAZINE PUBLISHERS OF AMERICA**

MPA/USPS-53 (Follow-up to MPA/USPS-16). Please explain why the values on Lines E1 and E2 of the Attachment do not sum to the figure of \$314,689,557.06 shown as the "Sub-total". Please provide the definition(s) and value(s) for any missing data item(s). Please supply documentation of administrative standards and procedures governing the practice and limitations on financial terms associated with contract renewals.

RESPONSE

The attachment contains the results of a data entry error. The figure \$241,123,748.73 should have been \$266,050,448.73. With this change, the subtotal on the attachment reconciles with the two lines above it. For documentation, see the attached excerpt from the Purchasing Manual.

ATTACHMENT
MPR/USPS-53
PAGE 1 OF 2

Contents

Purchasing

4.5.6.b

related requirements determined to be in the best interest of the Postal Service.

4.5.5.e *Alternatives to Contracts.* The following may be used to obtain mail transportation services:

1. *Domestic Air Transportation Services.* Transportation of mail between points within the state of Alaska performed by scheduled air carriers and paid for at rates of compensation established by the Department of Transportation in its service mail rate orders (30 U.S.C. 5402(f)).
2. *International Ocean Transportation.* International ocean transportation services may be obtained on a per-pound basis by tender. Mail of all classes and empty mail equipment may be tendered to U.S. and foreign-flag steamship companies for transportation in accordance with the scheduled rates Exhibit 4.5.5, unless the responsible Manager has negotiated other rates. Mail may be tendered at postal facilities for transport by the steamship company to the pier, or at the carrier's facility. The schedule or negotiated rates include any costs incurred for such transport.
3. *International Air Transportation.* International air transportation services other than those for which the Postal Service has contracting authority under Title 39 U.S.C. 5402(a) and (b) and 49 U.S.C. 1375(e)(5) must be obtained from carriers with permits and reimbursed pursuant to Department of Transportation service mail rate orders as long as it is required by law.

4.5.6 **Renewal of Contracts**

4.5.6.a *General.* Competitively awarded regular and temporary mail transportation contracts may be renewed by the mutual agreement of the Postal Service and the supplier. Regular or temporary highway and inland water contracts that have been wholly subcontracted less than six months before their expiration date (except those subcontracted by an immediate family member of a deceased or incompetent supplier) may not be renewed. Wholly subcontracted contracts that have been in effect for greater than six months are eligible for renewal and may be renewed by mutual agreement between the Postal Service and the subcontractor, by which the subcontractor becomes the prime supplier under the renewal contract.

4.5.6.b *Characteristics of Renewal Contracts*

1. *Duration.* The renewal term of a temporary contract may not exceed two years, and the renewal term of a regular contract may not exceed the greater of four years or the original contract term.
2. *Service.* The service provided at the beginning of the renewal term must be the same as that existing at the end of the previous contract term.
3. *Contract Rate.* The contract rate at the beginning of the contract renewal term must be the contract rate in existence at the end of the previous contract term.

ATTACHMENT
MMA/USPS-53
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Contents

Purchasing Manual

4.5.6.c

4.5.6.c *Renewal Procedures*

1. *Establishing Requirements.* Before entering into discussions for the renewal of a contract, the purchase team must determine the need to be met by the renewal contract and a reasonable rate for the service which will meet that need.
2. *Determining Satisfactory Service.* Contracts should not be renewed with suppliers who are currently providing less than satisfactory service. Faults in service which do not rise to the level of deficiencies and thus would justify termination for default, may be sufficient to support a determination not to renew.
3. *Negotiating Service and Price.* Having determined that a contract is appropriate for renewal, the contracting officer with the assistance of the purchase team enters into discussions with the supplier on the terms of the renewal contract. Before agreeing to the final terms, the purchase team must determine that renewal offers the best value and most advantageous alternative to the Postal Service, price and other factors considered. For the purpose of this determination, "other factors" may include the benefits of continuity of service and the potential costs of disruption arising out of resolicitation.
4. *Contract Modifications, Renewal, Resolicitation.* If agreement is reached on the renewal terms, the existing contract is modified to reflect any adjustments in service and rates. If a contract will not be renewed, or terms for renewal cannot be agreed upon in whole or in part, any continuing service requirement may be the subject of a new competitive solicitation.
5. *Documentation.* The determinations made throughout the renewal process must be thoroughly documented in the contract renewal file.

4.5.6.d *Restrictions.* Emergency contracts may not be renewed.

4.5.6.e *Clause.* Clause B-78, *Renewal*, must be included in transportation contracts that may be considered for renewal.

4.5.7 **Extension and Short-Term Renewal of Contracts**

- 4.5.7.a When appropriate, contracting officers may issue modifications extending the term of a contract, as distinct from the renewal of a contract (see 4.6.6).
- 4.5.7.b The contract term may be extended in increments of up to one year, provided the extension does not result in a total term of more than two, four, or six years, whichever is the allowable maximum contract term. The extension must be made with the consent of the supplier by a supplemental agreement (see 8.5.1.c), and the need for the extension must be documented in the contract file.
- 4.5.7.c Pending full renewal in accordance with 4.5.6, an expiring contract that is eligible for renewal may be renewed for short terms of up to one year by mutual agreement of the parties. When the full renewal is approved, the short-term renewal may be converted into a full-term renewal to cover the full remaining term of the contract.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
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MPA/USPS-54 (Follow-up to MPA/USPS-17c). Regarding the "study of transportation utilization" referenced in the response to 17c, please describe the scope of work and provide the estimated date of completion for this study. Regarding the "reductions in unutilized capacity" referenced in the response, please provide the best available estimate of dollar savings by transportation mode and cost account that are expected to result from these reductions in FY01. For any such dollar savings estimates that are not available, please indicate when they are expected to be available. For each dollar savings estimate that is supplied, please indicate the proportion that is already reflected in the Postal Service's development of test year costs, and provide corresponding documentation.

RESPONSE

Although the scope of the study will ultimately cover the entire network, the transportation utilization study is in its infancy and, therefore, no savings have been identified. The effort involves reviewing utilization on a city-by-city and route-by-route basis. After the feasibility phase, which is now underway, additional testing will be performed at major P&DCs and BMCs. Completion of the study is targeted for the middle of FY 2001. No savings from this effort have been included in the development of test year costs.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
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MPA/USPS-55 (Follow-up to MPA/USPS-23). Please confirm that Amtrak Roadrailleurs are used by USPS in service that is most analogous to inter-SCF highway transportation, If not confirmed, please explain.

RESPONSE

The Postal Service has no data on the mix of mail on Roadrailleurs. It is generally thought that Roadrailleurs may be used for mail with a three-day service commitment (such as certain First-Class Mail), and for other time-sensitive mail that originates in bulk at sites, such as printing plants, that are not adjacent to an Amtrak route. Roadrailleurs are a hybrid service that combines operational aspects of freight rail with service responsiveness of direct long-haul highway transport.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
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MPA/USPS-56 (Follow-up to MPA/USPS-30). Regarding the \$100 million future cost reduction referenced in the response, please provide the best available estimate of dollar savings by cost account that are expected to result in FY01. Please identify the proportion of each dollar savings estimate that is already reflected in the Postal Service's development of test year costs, or in the response to the follow-up to MPA/USPS-17c. Please provide corresponding documentation.

RESPONSE

The reduction of \$100 million is dependent on the Postal Service implementing a fuel management program, achieving reduction in trailer leasing, and reduction in overall transportation miles traveled. These are targets, not savings estimates.

No estimates in total or by account have been made for FY 2001 or are included in the test year.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO FOLLOW-UP
INTERROGATORIES OF MAGAZINE PUBLISHERS OF AMERICA, INC.**

MPA/USPS-57 (Follow-up to MPA/USPS-31b.) Please provide all documentation of the magnitude of highway cost increases and rail cost decreases associated with any conversion of freight rail traffic to highway contracts that is incorporated in the development of test year costs. Please provide documentation of the magnitude of any other cost increases that are projected in the test year as a result of changes in freight rail characteristics.

Response

There are no cost changes in the development of test year costs associated with any conversion of freight rail traffic to highway contracts. There are no cost changes in the development of test year costs associated with changes in freight rail characteristics.

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MPA/USPS-58 (Follow-up to MPA/USPS-44). For Amtrak capacity procured on a linear foot basis, please provide the best available estimate of the proportion of procured Amtrak linear feet associated with each type of equipment. alternatively, please provide the best available estimate of the cubic feet per linear foot relied upon by the Postal Service in dispatching mail for movement in the Amtrak capacity it procures on a linear foot basis.

RESPONSE

The requested estimates are not available.

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MPA/USPS-59 (Follow-up to MPA/USPS-45). Please provide the best available estimate of dollar savings by cost account that is expected to result in FYO1 from the anticipated process improvements, cycle time reductions, and possible unit cost reductions. Please identify the proportion of each dollar savings estimate that is already reflected in the Postal Service's development of test year costs, or in the responses to other interrogatories. Please provide corresponding documentation.

RESPONSE

In the transportation area, no cost savings have been identified at this time. As mentioned in the response to MPA/USPS-54, process improvement initiatives of this sort in the transportation area are in their early, developmental stages. No savings estimates in total or by account are available.

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MPA/USPS-60 (Follow-up to MPA/USPS-46). Please provide a copy of PS Form 5366, with associated instructions, Please provide the summary Amtrak utilization data derived from Form 5366 in whatever format such data were made available to postal transportation management personnel in BY98.

RESPONSE

A partial objection was filed on May 18, 2000. See the attached copy of the on-line Form 5366 and instructions.

This form must be completed by postal personnel for every AMTRAK train for each station stop that dispatches or receives mail.

1-2. **Heading** - Fill in proper information, which is self-explanatory.

3. **Train Number** - Clearly enter train number. If uncertain of the train number, refer to the Amtrak Schedule.

4. **Self explanatory.**

5. **Origin/Intermediate/Destination** - Check one of the boxes marked origin, destination, or intermediate.

6-8. **Self explanatory.**

10. **Arrt Car No.** - Enter car number (numerals only) clearly in the appropriate field.

11-13. **Arrived Mail/Unloaded/Loaded** - Self-explanatory.

Definitions:

a. **Pallets** - Enter number of pallets including cardboard boxes on pallets such as Postal Paks and gaylords.

b. **OTR** - Enter number of OTRs.

c. **Other** - Enter number of other types of containers.

14. **Net Leaving Station** - Arrived mail minus unloaded mail, plus loaded mail, equals net leaving station. Show net pieces, number of feet, and number of containers leaving station.

15. **Remarks** - Explain any irregularities and for local instruction. Number of units loaded or type of units loaded must never be entered in this column.

16. **Total Pieces ON and OFF** - Show total number of pieces loaded and unloaded and net pieces leaving station.

17 - 21. **Self explanatory.**

22. **Empty Containers ON and OFF** - Show total number of containers loaded or unloaded and net empty containers leaving station.

After proper completion, and no later than 30 days after departure of the train, send a legible copy of this form to:

MANAGER
TRANSPORTATION MODAL OPERATIONS AND REQUIREMENTS
UNITED STATES POSTAL SERVICE
475 L'ENFANT PL RM 7912
WASHINGTON DC 20260-7137

ATTACHMENT
MAY 10 1995 - 60
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MPA/USPS-61 (Follow-up to MPA/USPS-T1-12). Please confirm that the figure of 34 percent applies to rail movements whose costs accrue to account number 53143. If not confirmed, please explain. For the (100-78=) 22 percent of non-BMC movements that are not for empty equipment, please indicate the origin and destination facility types that are most commonly served.

RESPONSE

Not Confirmed. The costs associated with empty equipment movements accrue to account number 53192 – the Rail Empty Equipment account. For the twenty-two percent of non-BMC movements that are not for empty equipment, the most commonly served origin and destination facility types are Plant Loaded – BMC (10%) and Plant Loaded – non-BMC (9%).

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MPA/USPS-62. In USPS-LR-I-50 at page 24, total FY98 Amtrak train costs are shown to be \$61,537,184.28. In USPS-LR-I-1 at page 77, accrued costs for account 53142 (Passenger Train Line Haul Service) are shown to be \$73,031,244. Please itemize the factors that account for the difference between these two figures, including, but not limited to, movement of Roadrailleurs on Amtrak. Please supply the accrued costs associated with each such itemized factor.

RESPONSE

The total FY98 Amtrak train costs shown in USPS-LR-I-50, at page 24 are \$61,537,184.28. The source of this number is the Amtrak footage contract that was effective January 1, 1997. This cost is used solely for sample allocation and later in the expansion process as cost weightings, as shown in USPS-LR-I-50, at page 18. The difference between this and the BY98 cost (\$73,031,244) can be accounted for by the additional Roadrailleurs (approximately \$4.5 million), Drayage (over \$2.5 million), and cost increases from 97 to 98.

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MPA/USPS-63. Please confirm that empty equipment moved by rail in account number 53192 may include equipment used to transport mail by truck. If not confirmed, please explain.

RESPONSE

Account 53192 is used to record expenses associated with the transportation of mail transport equipment (e.g., containers, trays, sacks) by rail. The mail transport equipment may subsequently be used to transport mail by any appropriate mode of transport (i.e., air, rail, highway, or water).

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MPA/USPS-64. Please identify and describe all initiatives to reduce costs and/or improve efficiency in surface transportation in the test year that were not incorporated in the USPS filing, and have not been described and/or quantified in other interrogatory responses. Please provide the best available estimate of the impact of each such initiative on periodicals costs.

RESPONSE

All efforts have already been described elsewhere in MPA/USPS-30; these are targets not test year savings estimates. Their impact on Periodicals costs is unknown.

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MPA/USPS-65. Please refer to USPS-LR-I-80, Cs06&7.xls, worksheet "7.0.4.1." In particular, please refer to cell L27, which has a value of \$1,287,203,000.

- a. Please confirm that this \$1.287 billion equals total accrued street support costs derived from the street time sampling (STS) percentages in cells d19 through k19 of worksheet 7.0.4.1.
- b. Please explain the specific carrier activities to which these \$1.287 billion in STS-based street support costs apply.
- c. Please confirm that Cs06&7.xls burdens the \$1.287 billion STS-based street support cost on both City Carriers Street costs and on City Carrier Office costs.
- d. Please confirm that the STS street support activities support City Carriers Street activities only, not City Carriers Office activities.
- e. Please provide a revised version of USPS-LR-I-80, Cs06&7.xls that distributes the STS-based street support accrued costs to mail subclasses based solely on the distribution of City Carriers Street costs.

RESPONSE:

- a. Confirmed.
- b. The specific carrier street activities that are considered to be "street support" activities are as follows:
 1. Obtaining the vehicle and putting gas into the vehicle;
 2. Traveling to and from the route and the carrier station;
 3. Waiting while a disabled vehicle is being repaired or is towed away and replaced;
 4. Break time (other than lunchtime) taken while on the street;
 5. Loading mail into the vehicle and unloading mail from the vehicle while the vehicle is at the carrier station;
 6. Preparing mail at the vehicle while it is on the route;
 7. Preparing mail at relay boxes, unloading mail from relay boxes, and waiting at relay boxes for the relay mail to arrive.

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- c. Confirmed
- d. Partially confirmed. There are two types of street support time. The first is time spent on activities that are fixed properties of the route. These activities include clocking in and out, training, and the street activities listed in parts 1-4 of the response to question (b) above. This "fixed" street support time is constant in the sense that it varies only with the number of routes in the city carrier delivery system as a whole.

The second type of street support time is time spent on street activities, such as preparing mail at the vehicle, that are variable properties of the route. Parts 5-7 of the response list these variable activities. The time spent on these street-support activities is variable in the sense that it does vary with volume delivered on the route.

The first type of street support time, which is fixed on a route, supports all route activities, both street and office, and it varies in response to volume only to the extent that changes in volume change the number of routes in the system. The second type of street support time, which does vary with volume on the route, is generated by activities that occur solely on the street. So this second type of street support time varies in response to volume in the same manner as does the time spent on the other street activities – driving time, route/access FAT, route/access CAT, load time, and collection. In this sense, this second type of driving time does, indeed, support street activities only.

- e. For purposes of responding to this question, it is assumed that you are requesting a version of Cs06&7.xls that is consistent with the response to part (d). Therefore, a new version of Cs06&7.xls has been prepared that differs from the version of USPS-

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LR-I-80 in the following manner. The LR-I-80 version applies to aggregate accrued street support cost a single volume-variability and a single distribution key that equal the composite variability and composite distribution key, respectively, that are defined for all other segment 6 plus segment 7 costs combined. In contrast, the revised Cs06&7.xls splits total accrued street support costs into two sets. The first set is the cost of street support time that is fixed on the route. The second set is the cost of street time support time that varies with volume on the route.

The volume variability and the distribution key applied to the first set of costs are the composite segment 6-7 variability and the corresponding composite distribution key, respectively. The volume-variability and distribution key applied to the second set of costs are derived, instead, from just the aggregate of driving time, route/access CAT, route/access FAT, load, and collection time cost.

The alternative version of Cs06&7.xls will be submitted as USPS LR-I-381.

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MPA/USPS-66. Please refer to LR-I-404 at 10-3 where it states, "the volume variable costs of rural carrier workhours are determined from a variability analysis developed in accordance with the evaluated time and factors of workload for all 40,933 routes in the FY1999 National Mail Count." Please refer further to LR-I-335, cs10out.xls. Finally, refer to the Postal Service's response to MPA/USPS-1 and MPA/USPS-49.

- a. How many RCCS tests were performed during the period when the FY 1999 National Mail Count was performed?
- b. How many RCCS tests were performed in FY 1999?
- c. Please confirm that the RCCS flats percentage that was used to perform the rural carrier mail shape adjustment for FY 1999 was developed using RCCS data for the period during the FY 1999 National Mail Count.
- d. Please provide the RCCS flats percentage for the period during the FY 1999 National Mail Count.
- e. Please provide the RCCS flats percentage for the entire FY 1999 fiscal year.
- f. Please provide the coefficient of variation for the RCCS flats percentage for the period during the FY 1999 National Mail Count.
- g. Please provide the coefficient of variation for the RCCS flats percentage for the entire FY 1999 fiscal year.
- h. What percentage of RCCS tests that were originally scheduled during the FY 1999 NMC period were rescheduled?
- i. Please provide an update to USPS-LR-I-335 using FY 1999 data.

RESPONSE:

- a. 200.
- b. 6220.
- c. Confirmed.
- d. 6.22% of letters are reclassified as flats. Letters are defined as the combination of DPS, Sector Segment, and Other Letters.

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- e. 9.72% of letters are reclassified as flats. Letters are defined as the combination of DPS, Sector Segment, and Other Letters.
- f. The coefficient of variation is estimated to equal 1.7% for the flats percentage derived from the two-week FY 1999 National Mail Count. This 1.7% equals a standard error of 0.005918 divided by an estimated flats percentage of 35.4%.
- g. The FY 1999 – Q3 and Q4 data tapes required to calculate this coefficient of variation are not available at this time. Only the Q1 and Q2 tapes are available. Based on data from these Q1/Q2 tapes, a flats percentage of 33.0% was calculated. The coefficient of variation for this percentage is 0.43%, which equals a standard error of 0.0014252 divided by 0.33.
- h. 15.3.
- i. A modification to the CS10.xls workbook supplied in USPS-LR-I-278 has been filed in USPS-LR-I-449. This workbook has different distribution keys than the workbook filed in USPS-LR-I-335. DPS and Sector Segment distribution keys from RCCS became available in the third and fourth quarters of FY 1999. The estimated percentages of DPS and Sector Segment that were used in BY 1998 are no longer needed. The distribution keys for DPS, Sector Segment, Other Letters, and Flats in USPS-LR-I-278 and USPS-LR-I-449 are for the last two quarters of FY 1999 only to allow the usage of these new distribution keys for DPS and Sector Segment. The flats percentage in USPS-LR-I-449 uses a full year's RCCS volume for DPS, Sector Segment, Other Letters, and Flats.

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MPA/USPS-67 Please refer to USPS-LR-I-184, T17-01.xls. Please provide an update to this spreadsheet using FY 1999 data.

Response: The updated spreadsheet, using FY 1999 data, for T17_01.xls

in USPS-LR-I-184, is contained in the diskette filed in USPS-LR-I-438.

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MPA/USPS-68. Please refer to page 30 of Exhibit USPS-44M.

- a. Please confirm that the total costs for Cost Segment 7 shown on this page reflect the changes that are being introduced in R2000-1 by the study reported by witness Raymond (USPS-T-13).
- b. Please provide FY 1999 costs for Cost Segment 7 by subclass that don't reflect the changes that are being introduced in R2000-1 by the study reported by witness Raymond (USPS-T-13).

RESPONSE:

- a. Confirmed.
- b. Please see the attached Table.

71-111-111
111-111-111

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Fiscal Year 1999 - USPS Version
C/S 6&7 CITY CARRIERS
TOTAL C/S 7 USING 'OLD' STS SPLIT FACTORS

LINE NO	CLASS, SUBCLASS, OR SPECIAL SERVICE	TOTAL C/S 7 USING OLD STS SPLIT FACTORS
1	FIRST-CLASS MAIL:	
2	SINGLE-PIECE LETTERS	571,082
3	PRESORT LETTERS	391,807
4	TOTAL LETTERS	962,889
5	SINGLE-PIECE CARDS	35,832
6	PRESORT CARDS	19,144
7	TOTAL CARDS	54,975
8	TOTAL FIRST-CLASS	1,017,864
9	PRIORITY MAIL	104,539
10	EXPRESS MAIL	31,680
11	MAILGRAMS	273
12	PERIODICALS:	
13	IN-COUNTY	11,011
14	OUTSIDE COUNTY:	
15	REGULAR	101,635
16	NON-PROFIT	27,710
17	CLASSROOM	779
18	TOTAL PERIODICALS	141,135
19	STANDARD A:	
20	SINGLE PIECE RATE	6,758
21	COMMERCIAL STANDARD:	
22	ENHANCED CARR RTE	391,778
23	REGULAR	400,847
24	TOTAL COMMERCIAL	792,625
25	AGGREGATE NONPROFIT:	
26	NONPROF ENH CARR RTE	22,068
27	NONPROFIT	85,511
28	TOTAL AGGREG NONPROFIT	107,580
29	TOTAL STANDARD A	906,963
30	STANDARD MAIL (B):	
31	PARCELS ZONE RATE	46,818
32	BOUND PRINTED MATTER	48,031
33	SPECIAL STANDARD	21,021
34	LIBRARY MAIL	3,460
35	TOTAL STANDARD (B)	119,331
36	US POSTAL SERVICE	4,724
37	FREE MAIL	2,047
38	INTERNATIONAL MAIL	13,517
39	TOTAL MAIL	2,342,073
40	SPECIAL SERVICES:	
41	REGISTRY	3,956
42	CERTIFIED	68,040
43	INSURANCE	4,721
44	COD	1,578
45	SPECIAL DELIVERY	-
46	MONEY ORDERS	-
47	STAMPED ENVELOPES	-
48	SPECIAL HANDLING	-
49	POST OFFICE BOX	117
50	OTHER	1,389
51	TOTAL SPECIAL SERVICES	79,801
52	TOTAL VOLUME	2,421,873
53	FIXED	6,186,027
54	GRAND TOTAL	8,607,900

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MPA/USPS-69.

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In Docket No. MC00-1, witness Taufique estimated that Periodicals Ride-Along pieces would generate approximately \$10 million per year in revenue.

- a. Please state whether actual Periodicals Ride-Along revenues are in line with witness Taufique's estimation.
- b. Please provide a quantitative comparison of actual and estimated Periodicals Ride-Along revenues.

RESPONSE

- a. The actual Periodicals Ride-Along revenue appears to be in line with witness Taufique's estimation of \$10 million per year in revenue in Docket No. MC00-1.
- b. The data collected by the Pricing department shows approximately 42 million pieces mailed at Ride-Along rate as of August 3, 2000 which leads to \$4.2 million dollars in revenue. If the forecast of \$10 million is distributed evenly across the 13 Accounting Periods, the revenue over the six APs from Feb 26th to Aug 12th (end of the 12th AP) would be about \$4.6 million. We note that the time lag between the filing of the mailing statement and its receipt at the Pricing office could cause the \$4.2 million reported above to understate somewhat the actual revenues during these APs. We also note that issues of seasonality and "ramping up" might lead to increased usage later in the year. These factors cause us to conclude that actual Periodicals Ride-Along revenues are in line with witness Taufique's estimation of \$10 million per year in revenue in Docket No. MC00-1.

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MPA/USPS-70. Please refer to Table 1 on Page 3 of MPA-T-1 and Exhibit-ST-44Z.

- (a) Please state the amount of cost savings for Periodicals for the implementation of new mail preparation standards related to "Carrier Route Sacks, L001, and Combining Automation and Nonautomation Flats in Sacks and on 5-Digit Pallets" that is included in the Postal Service's July 7 update. In what cost reduction program are these savings included?
- (b) Please state the amount of cost savings for Periodicals for the implementation of the new Line of Travel standard for Carrier Route Basic Periodicals that is included in the Postal Service's July 7 update. In what cost reduction program are these savings included?
- (c) Please state the amount of cost savings for Periodicals for expected reductions in bundle breakage and improvements in bundle recovery that is included in the Postal Service's July 7 update. In what cost reduction program are these savings included?
- (d) Please state the amount of cost savings for Periodicals for savings expected from the Memorandum of Understanding on Vertical Flats Casing that is included in the Postal Service's July 7 update. In what cost reduction program are these savings included?
- (e) Please state the amount of cost savings for Periodicals (above the savings included in the original filing) for "Equipment and Productivity Enhancements" that is included in the Postal Service's July 7 update. In what cost reduction program are these savings included?
- (f) Please state the amount of additional cost savings in the "Additional AFMS to Upper Bound" and "Accelerate FSM Buy into 2001" shown in Exhibit USPS-ST-44Z that are for Periodicals.
- (g) Please provide a description of each cost reduction program shown on Exhibit USPS-ST-44Z in a format similar to USPS-LR-I-126.
- (h) Please provide a description of each individual cost reduction effort that is included in the "Highway Breakthrough Productivity" cost reduction program and a quantification of the cost savings from each effort.

Response:

The best place to see all the cost savings amounts is USPS-LR-I-408. At the bottom of page 3 there appears a Summary of Periodicals Initiatives and the distribution of all the test year mail processing cost reductions is shown on page 10.

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- a) The amount of cost savings for Periodicals for the implementation of new mail preparation standards related to "Carrier Route Sacks, L001, and Combining Automation and Nonautomation Flats in Sacks and on 5-Digit Pallets" that is included in the Postal Service's July 7 update is \$9.211 million. This figure differs from the \$14.885 million savings shown in USPS-LR-I-332 because it does not include piggybacks. The difference between the \$9.211 million and \$14.885 million would be included in other cost reductions and in the PESSA redistribution in the rollforward. The distribution of \$9.211 million savings is shown in the column headed "1456" on page 10 of USPS-LR-I-408 and is included in mail processing cost reductions.
- b) The amount of cost savings for Periodicals for the implementation of new Line of Travel standard for Carrier Route Basic Periodicals that is included in the Postal Service's July 7 update is \$23 million, which is included in city carrier cost reductions.
- c) The amount of cost savings for Periodicals for expected reductions in bundle breakage and improvements in bundle recovery that is included in the Postal Service's July 7 update is \$10.323 million. This figure differs from the \$15 million savings shown in the response to MPA/USPS-ST42-10 because it does not include piggybacks. The difference between the \$10.323 million and \$15 million would be included in other cost reductions and in the PESSA redistribution in the rollforward.

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The distribution of \$10.323 million savings is shown in the column headed "1457" on page 10 of USPS-LR-I-408 and is included in mail processing cost reductions.

- d) The amount of cost savings for Periodicals for savings expected from the Memorandum of Understanding on Vertical Flats Casing that is included in the Postal Service's July 7 update is \$7 million, which is included in city carrier cost reductions.
- e) The amount of cost savings for Periodicals (above the savings included in the original filing) for "Equipment and Productivity Enhancements" that is included in the Postal Service's July 7 update is \$6.266 million. These savings are in mail processing and they can be found on page 10 of USPS-LR-I-408 under the distribution key headings: 1461, 1458 and 1462.
- f) Please refer to page 2 of USPS-LR-I-408, midway down the page to the section showing the distribution key "1448." Five mail processing programs (Flat Mail OCR, Accelerate FSM Buy Into 2001, Additional AFSM to upper bound, Improve FSM and Increase manual flat productivity) are combined because they share a common distribution key 1448 (sorting to flat cases). The sum of the five programs, \$250.532 million, is distributed on distribution key 1448 and this is shown on page 10 of USPS-LR-I-408 under the column headed 1448 – the Periodicals portion of the savings is \$40.904 million.
- g) The narrative description in USPS-LR-I-126 is still applicable to most of the cost reductions shown in the update filed July 7, 2000. Additional information can be

found in Attachment II to witness Patelunas's response to Presiding Officer's Information Request No. 14.

- h) A description of the "Highway Breakthrough Productivity" cost reduction program is provided in Attachment II and the quantification of the cost savings is provided in Attachment I of witness Patelunas's response to Presiding Officer's Information Request No. 14.

**RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NATIONAL NEWSPAPER ASSOCIATION**

NNA/USPS-1. Please confirm that the PERMIT system allows post offices to track the audit history of a periodical.

RESPONSE. Unable to confirm. The PERMIT System is not intended to track circulation audits of periodicals. Although it is possible to store related information in a text field, such use is believed to be rare.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NATIONAL NEWSPAPER ASSOCIATION

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 Form 3526, *Statement of Ownership, Management, and Circulation*, are targeted specifically for circulation audits.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NATIONAL NEWSPAPER ASSOCIATION

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.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NATIONAL NEWSPAPER ASSOCIATION

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.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NATIONAL NEWSPAPER ASSOCIATION

g-h. There is no evidence that this occurs beyond the testing period for the office prior to start-up.

**RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NATIONAL NEWSPAPER ASSOCIATION**

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
TO INTERROGATORIES OF NATIONAL NEWSPAPER ASSOCIATION

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-9. Please confirm that non-PERMIT offices tend to be small in numbers of personnel or volumes.

RESPONSE. See the response to NNA/USPS-T-8.

**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-12. Please confirm that the only differences to postal operations between additional entry periodicals and exceptional dispatch periodicals are the payment by the former of an additional entry fee and possible use of additional trust accounts. If your response is no, please explain in detail any differences.

RESPONSE. Not confirmed. See the response to NNA/USPS-11.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NATIONAL NEWSPAPER ASSOCIATION

NNA/USPS-13. Does the Postal Service know the percentage of [l]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
NNA INTERROGATORY TO WITNESS PATELUNAS**

NNA/USPS-ST44-I. Please refer to the attachment to this interrogatory, titled In-County Mail Processing (CS 3.1) Cost Changes 1986-1999. The attachment charts reported costs, pieces and unit in Cost Segment 3.1 (Mail Processing - Clerks and Mailhandlers) for the Within County Subclass.

Please confirm that the data in this attachment are correct. If they are not correct, please provide corrected data.

Response:

Not confirmed, since the overhead portion of processing costs was not included for the years FY1986 to FY1996. We have attached a table with the corrected data.

We have restated your table showing the corresponding fiscal years (col.1), the 3.1 cost (col. 2), the pieces (volume) (col.3), and your calculated 3.1 unit cost (col. 4). Column 5 shows the processing overhead costs for In-County from the CRA for each of the years FY1986 to FY1996. Column 6 shows the adjusted processing costs, including overhead and column 7 shows the adjusted unit costs.

In-County Mail Processing (CS 3.1) Cost Changes 1986-1999

Year/Method	3.1 Cost (000s)	Pieces (000s)	3.1 Unit Cost
USPS 1986	\$18,714	1,737,956	\$0.011
USPS 1987	\$19,879	1,479,531	\$0.013
USPS 1988	\$21,697	1,488,271	\$0.015
USPS 1989	\$22,918	1,458,827	\$0.016
USPS 1990	\$27,296	1,382,914	\$0.020
USPS 1991	\$24,916	1,179,504	\$0.021
USPS 1992	\$25,189	1,192,671	\$0.021
USPS 1993	\$23,560	1,057,671	\$0.022
USPS 1994	\$14,223	1,006,421	\$0.014
USPS 1995	\$13,464	907,187	\$0.015
USPS 1996	\$12,643	877,829	\$0.014
1996 R97 Base Year	\$15,210	877,829	\$0.017
USPS 1997	\$20,470	947,047	\$0.022
USPS 1998	\$10,320	823,865	\$0.011
1998 R2000 Base Year	\$13,182	923,865	\$0.014
USPS 1999	\$17,229	893,454	\$0.019

In-County Mail Processing

Year	3.1 Cost (\$ 000)	Pieces (000)	3.1 Unit Cost (dollars)	Missing Overhead (\$ 000)	Adjusted 3.1 Total (\$ 000)	Adjusted 3.1 Unit Cost (dollars)	Difference (dollars)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1986	18,714	1,737,956	0.011	3,888	22,602	0.013	0.002
1987	19,879	1,479,531	0.013	4,288	24,167	0.016	0.003
1988	21,697	1,488,271	0.015	4,688	26,385	0.018	0.003
1989	22,918	1,458,827	0.016	5,268	28,186	0.019	0.004
1990	27,296	1,382,914	0.020	6,569	33,865	0.024	0.005
1991	24,916	1,179,504	0.021	5,909	30,825	0.026	0.005
1992	25,189	1,192,671	0.021	5,845	31,034	0.026	0.005
1993	23,560	1,057,671	0.022	6,693	30,253	0.029	0.006
1994	14,223	1,006,421	0.014	4,071	18,294	0.018	0.004
1995	13,464	907,187	0.015	3,929	17,393	0.019	0.004
1996	12,643	877,829	0.014	3,976	16,619	0.019	0.005
BY 1996	15,210	877,829	0.017	incl.	15,210	0.017	0.000
1997	20,470	947,047	0.022	incl.	20,470	0.022	0.000
1998	10,320	923,865	0.011	incl.	10,320	0.011	0.000
BY 1998	13,182	923,865	0.014	incl.	13,182	0.014	0.000
1999	17,228	893,454	0.019	incl.	17,228	0.019	0.000

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF
THE OFFICE OF THE CONSUMER ADVOCATE
(REVISED FEBRUARY 10, 2000)**

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.

The cost of printing and preparing the mail piece is estimated to be approximately \$2.5 million.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE**

OCA/USPS-120. Please provide data and graphs showing the probability that an AFCS successfully faces and cancels a properly stamped letter-shaped piece as a function of aspect ratio. E.g., for each 10,000 pieces fed of a particular aspect ratio (AR), what proportion is successfully faced and cancelled?

- (a)** Please confirm that *any* graph of this function should have the following properties: (1) $\text{Prob}(\text{success}|\text{AR} = 1.0) \geq 0.5$; $\text{Prob}(\text{success}|1.0 < \text{AR} < 1.3)$ increases monotonically to 1.0; (3) $\text{Prob}(\text{success}|1.3 \leq \text{AR} \leq 2.5) = 1.0$; $\text{Prob}(\text{success}|\text{AR} > 2.5)$ decreases monotonically from 1.0. If you do not confirm, please explain in detail your inability to confirm any of these properties.
- (b)** If an AFCS may reject a properly stamped letter-shaped piece with an aspect ratio between 1.3 and 2.5 inclusive, please provide the average reject rate for such pieces and adjust the probabilities in part (a) of this interrogatory accordingly.
- (c)** Please confirm that the choices of 1.3 and 2.5 as boundary aspect ratios is based on an analysis of the probability function requested at the beginning of this interrogatory. If you confirm, please provide that analysis. If you do not confirm, please explain precisely how the boundary aspect ratios for the AFCS were determined.

RESPONSE:

The Postal Service no longer maintains a complete set of all records relating to the establishment of the nonstandard surcharge in Docket No. MC73-1. The Postal Service is attempting to retrieve archival records from storage which would permit it to determine the extent to which it can be responsive to these questions. As soon as the aforementioned archival records are reviewed, the Postal Service will be as responsive to these questions as circumstances permit.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-129.

Please refer to OCA/USPS-75 and the response thereto filed on April 11, 2000.

- (a) No response was provided to the question regarding the number of additional window stamp sale transactions. Please respond to the question by providing or estimating the number of additional window stamp sale transactions resulting from the postage rate increase in January 1999. Provide a comparison of the number or estimated number of such transactions in a reporting period that includes January 1999 with a comparable period including January 1998 (e.g., FY99 AP4 and FY99 AP5 as compared with FY98 AP4 and FY98 AP5, as was provided for Stamps-by-Mail transactions).
- (b) With respect to Stamps-by-Mail transactions, please confirm that the "approximately 40 percent of transactions" refers to 40 percent of Stamps-by-Mail transactions. If you do not confirm, please explain what "transactions" are referred to.

RESPONSE:

- (a) The Postal Service has no window service data for the periods in question which identify transactions on the basis of whether customers were purchasing stamps. Therefore, the Postal Service is unable to provide an estimate of the number of window service stamp sale transactions during January 1998 and 1999 (or their corresponding Accounting Periods).
- (b) Confirmed.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-130.

Please refer to OCA/USPS-76 and the response thereto filed on April 11, 2000.

- (a) Please confirm that the average cost of fulfilling a Stamps-by-Mail order is \$3.74. If you do not confirm, please explain.
- (b) Please confirm that the average cost of fulfilling a StampsOnline order is \$4.52. If you do not confirm, please explain.
- (c) Please provide a breakdown of the components of the annual costs of Stamps-by-Mail (\$35,642,894) and StampsOnline (\$1,623,159) transactions or, alternatively, the average costs (\$3.74 and \$4.52). Include any variability factors, piggyback factors, or other adjustments.
- (d) Please provide the average cost/revenue figure for a retail facility window sale of stamps, comparable to the average cost/revenue figures given for Stamps-by-Mail and StampsOnline.
- (e) Please confirm that the "incurred cost of transaction" provided in attachments 1-3 to OCA/USPS-76 (\$0.4596, \$0.7945, and \$0.4194, respectively) differ slightly from a calculation of the inputs to these figures due to rounding of the inputs. If you do not confirm, please explain.

RESPONSE:

- (a&b) Those estimates are based upon analyses reflected in USPS Library Reference I-379.
- (c) See USPS LR-I-379.
- (d) The Postal Service does not collect stamp purchase revenue data which would provide a basis for estimating the average revenue generated per window stamp sales transaction.
- (e) Confirmed.

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

20898

OCA/USPS-131.

Please refer to OCA/USPS-76(b) and OCA/USPS-80(a) and the responses thereto filed on April 11, 2000. Please explain and reconcile the annual Stamps-by-Mail transaction volumes of 9,530,361 and 8.4 million.

RESPONSE:

The former number should have appeared in both responses.

**RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE**

20899

OCA/USPS-132 . First-Class letter-shaped mail having an aspect ratio from 1:1.0 up to 1:1.3 is defined as nonstandard mail. Of the First-Class letter-shaped pieces under one ounce having an aspect ratio from 1:1.0 up to 1:1.3, what is the average aspect ratio for all such pieces?

Response:

The Postal Service does not collect and maintain this data.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF THE OCA**

OCA/USPS-133. Please refer to Library Reference USPS-LR-I-179, provided in response to OCA/USPS-4.

- a. For PFY 1999, PFY 2000, PFY 2001, PFY 2002, PFY 2003, and PFY 2004, please confirm that the percentage change in volume for single-piece First-Class letters and flats from the prior year is -0.55%, -0.76%, -2.06%, -1.36%, -3.45%, and -5.13%, respectively. If you do not confirm, please explain and provide the correct percentage change in volume.
- b. For PFY 1999, PFY 2000, PFY 2001, PFY 2002, PFY 2003, and PFY 2004, please confirm that the percentage change in volume for workshared First-Class letters and flats from the prior year is 6.52%, 5.59%, 4.35%, 4.57%, 2.67%, and -1.38%, respectively. If you do not confirm, please explain and provide the correct percentage change in volume.
- c. Please confirm that the change (and resulting percentage change) in volume in each year for single-piece First-Class letters and flats in part a. of this interrogatory is a function of changes in rates and an assumed secular change in volume of single-piece First-Class letters and flats. If you do not confirm, please explain.
 - i. Please provide the price elasticity of demand associated with the changes in rates referred to in part c. of this interrogatory.
 - ii. Please provide the percentage change associated with the an assumed secular change in volume referred to in part c. of this interrogatory.
- d. Please confirm that the change (and resulting percentage change) in volume in each year for workshared First-Class letters and flats in part a. of this interrogatory is a function of changes in rates and an assumed secular change in volume of workshared First-Class letters and flats. If you do not confirm, please explain.
 - i. Please provide the price elasticity of demand associated with the changes in rates referred to in part c. of this interrogatory.
 - ii. Please provide the percentage change associated with the an assumed secular change in volume referred to in part c. of this interrogatory.

RESPONSE:

- a. Confirmed for the forecast supplied to GAO and reproduced in

LR-I-179. The forecast underlying LR-I-179 is NOT the Test Year forecast

provided by Dr. Tolley in USPS-T-6 and Dr. Musgrave in USPS-T-8, and does not use the elasticities presented by Tom Thress in USPS-T-7.

b. Confirmed for the forecast supplied to GAO and reproduced in LR-I-179. The forecast underlying LR-I-179 is NOT the Test Year forecast provided by Dr. Tolley in USPS-T-6 and Dr. Musgrave in USPS-T-8, and does not use the elasticities presented by Tom Thress in USPS-T-7.

c. Confirmed that changes in volume are a function of those factors, among others. The single-piece own price elasticity used in the LR-I-179 forecast, from a model which also included a worksharing discount variable , was -0.281. As documented in USPS-T-7, II-B, pages 10-32, there are a large number of variables affecting volume. Price elasticity is one of many. The percentages directly attributable to the assumption about new electronic diversion over the base is found in LR-I-179, sheet Vol_div_pct, cell references b37:l59.

d. Confirmed that changes in volume are a function of those factors, among others. The workshared own price elasticity used in the LR-I-179 forecast, from a model which also included a worksharing discount variable , was -0.297. As documented in USPS-T-7, II-B, pages 10-32, there are a large number of variables affecting volume. Price elasticity is one of many. The percentages directly attributable to the assumption about new electronic diversion over the base is found in LR-I-179, sheet Vol_div_pct, cell references b37:l59.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORY
OF THE OFFICE OF THE CONSUMER ADVOCATE**

OCA/USPS-134.

20902

- (a) Has the Postal Service conducted any studies on the relationship between the weight of a mailpiece and its aspect ratio? If yes, please provide a copy of any such studies.
- (b) In the absence of any studies referred to in part (a) of this interrogatory, what is known by the Postal Service about the relationship between the weight of a mailpiece and its aspect ratio? Please explain.
- (c) In the absence of any studies referred to in part (a) of this interrogatory, what is known by the Postal Service about the relationship between the weight of a low aspect ratio mail piece and its propensity to "tumble"?
- (d) As a matter of the physics and engineering of automated letter-processing equipment, are heavier low aspect ratio pieces more likely to "tumble" than lighter pieces (due to the effect of inertia during acceleration)? Please make inquiries at Merrifield before answering this question.

RESPONSE:

(a) No.

(b) (c) (d) In the absence of any studies, the relationship between mail piece weight (or distribution of weight within a given mail piece) and aspect ratio is not known. Inquiries to Merrifield have revealed no further information.

**RESPONSE OF THE U.S. POSTAL SERVICE TO
INTERROGATORIES OF THE OCA**

20903

OCA/USPS-135. Please refer to the Commission's opinion in Docket No. R97-1, page 326, paragraph 5197. The Commission provided \$33 million for "appropriate educational efforts" related to CEM.

- (a) Please describe all educational and research efforts related to CEM undertaken by the Postal Service since issuance of the R97-1 opinion. Please provide copies of all documents related to such efforts.
- (b) Please provide an accounting of the use or uses made by the Postal Service of the \$33 million referred to above.

RESPONSE:

- (a) In accordance with the June 29, 1998 decision of the Board of Governors, the Postal Service did not implement CEM. Consequently, no efforts related to CEM have been undertaken by the Postal Service.
- (b) The \$33 million represents costs the Postal Service did not incur. As such, there is no accounting associated with this specific amount. Also, please see response to part (a).

It is important to recognize that the Test Year by definition consists of projections, some of which ultimately turn out to be underestimates of actual results, and some of which turn out to be overestimates of actual results. Singling out what happened to one particular Test Year number (\$33 million) without looking at what happened with other Test Year projections is of questionable value.

**RESPONSE OF US POSTAL SERVICE TO INTERROGATORIES OF
OFFICE OF THE CONSUMER ADVOCATE**

OCA/USPS-136. Please refer to the response of the Postal Service to interrogatory OCA/USPS-55(c). Also, please refer to the website:

<http://www.directmag.com/content/newsline/2000/2000050303.htm>

The DirectNewsLine website reports that John Nolan, Deputy Postmaster General, in a May 2, 2000, speech before the Direct Marketing Association Government Affairs Conference 2000 in Washington, DC, "has organized a team that over the next few weeks will begin work planning *the 2003 and 2005 rate cases . . .*" (emphasis added).

- (a) Please provide a copy of Deputy Postmaster General Nolan's speech.
- (b) Please confirm that the DirectNewsLine report of the speech of Deputy Postmaster General Nolan with respect to planning for the "2003 and 2005 rate cases" is accurate. If you do not confirm, please explain.
- (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 in detail the rationale for planning for the "2003 and 2005 rate cases."

RESPONSE:

- a.-b. There was no written version of the speech, and the Postal Service has no written transcription of it.
- c. Not confirmed. Rather, as stated in the response to OCA/USPS-55(c), a Postal Service objective is to extend the rate cycle for as long as possible in concert with the Board's policy on equity restoration. The "2003 and 2005 rate cases" was meant to refer to the next two rate cases, which may or may not end up being filed in those particular years. Management's intent is to stress the need to begin the planning process for future rate cases, not to set a target date for their filing.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORIES
OF THE OFFICE OF THE CONSUMER ADVOCATE**

20905

OCA/USPS-137. Please refer to Docket No. R97-1, USPS-LR-H-130 at page 10, Tables 5.1, 5.2 and 5.3, revised 10/6/97. In Table 5.2, "OSS Reject Rates," please confirm that the "reject rates" for "Handwritten First-Class collection mail" result from a calculation and are actually the product of a reject rate and a downflow density.

- (a) Please provide a narrative explanation of the derivation and interpretation of these "reject rates" that is more extensive than is provided at page 2 of LR-H-130.
- (b) If you do confirm, please provide the "reject rates" and downflow densities used to calculate the figures for "Handwritten First-Class collection mail." Please show all calculations and provide citations to all figures used.
- (c) If you do not confirm, please explain in detail the derivation of these figures for "Handwritten First-Class collection mail." Please show all calculations and provide citations to all figures used.

RESPONSE:

Not confirmed.

a. b. c. The accept and upgrade rates were calculated using data that were taken directly from the End-Of-Run (EOR) reports at participating sites (see Appendix B for samples). Input files were then created using the raw data. The "DATA.SAS" program described in Appendix C was then used to perform the calculations. See Appendix C for further details.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORIES
OF THE OFFICE OF THE CONSUMER ADVOCATE**

20906

OCA/USPS-138. Please refer to LR-I-160, section L, page 2 of 15, and LR-I-162, tab BMM LTR CRA. The OCA is attempting to derive an estimate of the unit cost of handwritten low-aspect-ratio First Class letter-shaped pieces. Please state whether it is appropriate to use the spreadsheet from LR-I-160 for this purpose, and if not, why not. The OCA's specific concern is the lack of CRA fixed adjustment factors in the LR-I-160 spreadsheet.

RESPONSE:

It is not appropriate. Witness Campbell (USPS-T-29) relied on witness Miller's (USPS-T-24) cost model in developing the mail processing cost estimate for handwritten letters. This cost model contains average data inputs for all letters (regardless of class and/or presort level). As witness Miller stated in his response to OCA/USPS-T24-6(f), data were not separately collected for mail pieces that do not meet the standard letter aspect ratio (between 1.3 and 2.5, inclusive) requirement. Therefore, it would not be appropriate to use the model referenced above to estimate the costs for handwritten low-aspect-ratio First-Class letter-shaped mail pieces.

**RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF
OFFICE OF THE CONSUMER ADVOCATE**

20907

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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20908

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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20910

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
PostalCS						
Operating Revenue:	\$ -	\$ -	\$ -	\$ -	\$ 452,500	\$ 4,072,500
Operating Expenses:	\$ -	\$ -	\$ -	\$ -	\$ 5,098,867	\$ 6,540,833
Operating Income (Loss)	\$ -	\$ -	\$ -	\$ -	\$ (4,646,367)	\$ (2,468,333)
Electronic Postmark						
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 1996 and 1999 are shown as one amount in FY 99

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20912

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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20913

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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20914

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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20915

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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20916

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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20917

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 ¹
Retail Products	15,709	17,967
Phonecard sales	<u>13,743</u>	<u>1,307</u>
Total	64,719	33,816
Net		\$30,903

¹ 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.

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MILLER**

20922

OCA/USPS-T24-6 Please refer to Attachment USPS-T24B. (Please consult witnesses Kingsley or Pafford if necessary.)

(e) Please explain how the estimates of under and over payment of postage provided in response to interrogatory OCA/USPS-69 are made.

RESPONSE:

(e) Estimates of under and over payment of postage provided in response to interrogatory OCA/USPS-69 were constructed from the Domestic RPW system, attested to by witness Pafford (USPS-T-4). Basically, sampled First-Class single-piece mail pieces whose revenue shown on the mail piece differed from the required postage were expanded to represent the population of all mail that was short paid or over paid. The table shown in response to OCA/USPS-69 shows the estimated revenue and volume for common short paid and over paid amounts, as well as the total estimate.

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20923

OCA/USPS-ST44-4. The following interrogatory refers to USPS-LR-I-422

- (a) Please confirm that in USPS-LR-I-126 at 92, the USPS estimated a 10.5 percent increase (($\$1,198,124,884 / \$1,083,966,019$)-1) in the "medical portion" of workers' compensation for FY 01. If you are unable to confirm, please explain.
- (b) Please specifically identify the rationale used and site any sources relied upon when the "medical portion" of workers' compensation for FY 01 was modified from the 10.5 percent increase in the original filing to a 20.6 percent increase in your supplemental testimony (($\$1,493,034,282 / \$1,238,103,369$)-1).
- (c) Please explain how the USPS estimated increase of 20.6 percent in the "medical portion" of the FY 01 workers' compensation compares to the FY 01 national average estimate. If no comparison is available, please explain what comparison (if any) the USPS performs when preparing its workers' compensation estimates. If no comparisons are performed, please explain why none are done.
- (d) Please confirm that in USPS-LR-I-126 at 92, the USPS estimated a 6.5 percent increase (($\$4,565,057,984 / \$4,286,193,352$)-1) in the "base compensation liability" from FY 00 to FY 01. If you are unable to confirm, please explain.
- (e) Please specifically identify the rationale used and site any information provided that led to the decrease from 6.5 percent to the 3.3 percent (($\$4,184,293,872 - \$4,049,782,684$)-1) "compensation portion" cost increase for FY 01.
- (f) Please confirm the following:
 - (1) Actual USPS FY 00 Q3 expense for the "medical portion" of workers' compensation is \$1,238,103,369.
 - (2) Actual USPS FY 00 Q3 expense for the "compensation portion" of workers' compensation is \$4,049,782,684.

If you are unable to confirm parts (1) and (2) of this interrogatory, please provide the actual expenses. If Q3 expenses are unavailable, please indicate when they will be available and provide them at that time.

RESPONSE:

- (a) Confirmed, assuming you are referring to USPS-LR-I-128.
- (b-c, e) USPS Workers' compensation expense is based on caseload and average case costs for postal workers' compensation claimants. For future years' expense estimates, caseload and average case cost estimates are prepared by Casualty Actuarial Services, Inc., based on actual historic trends in paid claims, with a strong weighting towards the most recent changes in caseload and case cost. The USPS-LR-I-128 estimate was based on caseload and case cost data received through March 31, 1999. The USPS-LR-I-422 estimate was based on caseload and case cost data received through March 31, 2000. During the intervening period--effectively, FY 2000--our experience with medical claims has become profoundly unfavorable. In this period, our experience with compensation claims has also become somewhat unfavorable. This unfavorable experience is reflected in the caseload and case cost data underlying the LR-USPS-I-422 expense calculations. Please also note that LR-USPS-I-422 reflects a change in estimation technique that the Postal Service is adopting in FY 2000. Historically, in the workers' compensation liability estimation model, the Postal Service has used a life annuity table prepared by the Centers for Disease Control (CDC) that reflects mortality experience for the general US population. In FY 2000, the Postal Service is adopting a life annuity table based on the Social Security Administration's (SSA) experience with a disabled population.

Our analysis indicates that using a life table reflecting experience with a disabled population is more reflective of our experience than a life table reflecting trends for the general population. Use of this life annuity table for FY 2000 in LR-USPS-I-422 estimate reduced the liability/expense estimate for FY 2000 by approximately \$400 million from what it would have otherwise been. It also reduced the FY 2001 estimate slightly. Lastly, it should be noted that the USPS-LR-I-128 estimate for FY 2000 included \$284.1 million in program savings; these savings have not come to fruition and have been excluded from the USPS-LR-I-422 estimate. The USPS-LR-I-422 estimate for FY 2001 does contain approximately \$77 million in estimated savings; this modest savings estimate reflects assumptions in regard to decreases in USPS reported injuries.

- (d) Not confirmed. USPS-LR-I-128 detailed \$284.1 million in cumulative program savings impacting the liability for compensation claims. The ending base compensation liability including the impact of these estimated savings was \$4,280,957,695.
- (f) (1) Not confirmed; the cited number is our projected FY 2000 year-end medical liability excluding the fourth quarter adjustment.
(2) Not confirmed; the cited number is our projected FY 2000 year-end compensation liability excluding the fourth quarter adjustment.
Actual FY 2000 Quarter 3 (that is, for the 12 month period ended March 31, 2000) equivalent numbers are \$1,168,093,000 and \$4,063,396,000.

OCA/USPS-ST44-8. Please confirm that the Postal Service is not proposing to alter any of the proposed rates or cost coverages originally requested. If you are unable to confirm, please provide updated rate schedules as well as a revised cost coverage table.

Response:

The Postal Service has complied with the Postal Rate Commission's orders to update the cost rollforward model to reflect the FY 1999 actual costs, particularly as they relate to class and subclass of mail, and to provide revenue estimates, using the current and proposed rates tied to the billing determinants of the post-implementation period for the Docket No. R97-1 rates. As requested in POIR 16, the Postal Service provided in its response the cost coverages that result from combining the updated cost information and the POIR 16 revenue estimates. It is not the position of the Postal Service that such cost or revenue estimates, nor the cost coverages which derive therefrom represent a replacement of the Postal Service's case in chief. It is not anticipated that new rates or new cost coverage proposals will be proposed as a result of the Commission's orders to update the cost and revenue information in this case.

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(Redirected from witness Patelunas, USPS-ST44)**

20927

OCA/USPS-ST44-11. The following interrogatory refers to the Postal Service's response to P.O. Information Request No. 14 (June 29, 2000), part d, Attachment I.

- (a) In preparing your supplemental filing, did you incorporate the cost reduction programs listed under the column identified as "Order No. 1294," of Attachment I? If not, for each program listed on Attachment I, please indicate the total amount of the cost reduction you did incorporate.
- (b) For each program identified in the column identified as "Order No. 1294" of Attachment I, please provide the date(s) each forecast was reviewed and/or updated. If the specific date is not known, please confirm that you used the most current data available. If you are unable to confirm, please explain.
- (c) In Attachment I, the column identified as "Order No. 1294" has a line item identified as "Field Reserve" with a value of (\$200) million. Please confirm that the (\$200) million reduces the total cost reduction projection from \$744 million to \$544 million. If you are unable to confirm, please explain.
- (d) In Attachment I, please confirm that the column identified as "POIR 13" has a line item identified as "Field Reserve" with a value of (\$200) million. Please confirm that the (\$200) million reduces the total cost reduction projection from \$750 million to \$550 million. If you are unable to confirm, please explain.
- (e) Is the "Field Reserve" of \$200 million similar to a "contingency provision?" If not, please explain.

Response:

- (e) The "Field Reserve" of \$200 million is not similar to the rate case "contingency provision." The Field Reserve is a budget technique or strategy to leverage further cost reductions during FY 2001. The Field is challenged to achieve greater cost reductions than called for by the National budget goal. There is a high degree of risk that the field may not be able to accomplish their aggressive cost reduction targets. In those situations, budget relief can be granted, if warranted, without jeopardizing the national goal. The intent is to push the field to accomplish as much as possible, while still recognizing the magnitude of the challenge.

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(Redirected from witness Patelunas, USPS-ST44)**

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The rate case contingency provision on the other hand, refers to the concept of providing protection against future unknown events and forecasting errors.

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(Redirected from witness Patelunas, USPS-ST-44)**

20929

OCA/USPS-ST44-12. The following interrogatory refers to USPS-LR-I-419, Table 8, and the exhibit in your testimony titled "Development of Cost By Segment and Component FY01ATM, D Report," hereafter "New D Report" and USPS witness Kashani's exhibit titled, "Development of Cost By Segment and Component FY01ATM, D Report, hereafter "Old D Report."

(a) In Table 8, Priority mail receives a Final Adjustment of \$30.524 million. The New D Report, indicates that Priority Mail has a final adjustment of \$88.777 million. Please explain the apparent discrepancy.

(b) In the FY 01AR Old D Report, Standard Mail (B) Parcels Zone Rate has a "final" reduction of (\$40.604) million, which represents approximately 7 percent of the total volume variable final adjustment cost - (\$543.173). In the FY 01AR New D Report, Standard Mail (B) Parcels Zone Rate has a "final" reduction "\$100.868" million which represents approximately 17 percent of the total volume variable final adjustment cost of (\$594.323) million. Please explain what changes prompted the large weighted increase in Parcel Zone Rated mail's final adjustment.

RESPONSE:

(a) Two adjustments to Priority Mail costs were made totaling \$88.777 million.

The first adjustment of \$30.524 million adjusts Priority Mail costs for the effect of the Docket No. R97-1 classification change which *increased the maximum* weight of First-Class Mail from 11 ounces to 13 ounces. This adjustment is reported in Table 8 of USPS-LR-I-419. The second adjustment of \$58.253 million adjusts Priority Mail costs for a *projected increase in volume* due to delivery confirmation. This adjustment is reported in USPS-LR-I-420, Section 11.

(b) The reason for the disparity between the final adjustments for Parcel Post is that in the original filing, two adjustments were made to Parcel Post costs. The

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(Redirected from witness Patelunas, USPS-ST-44)**

first adjustment accounted for a reduction in mail processing and transportation costs due to an increase in volume of dropship compared to non-dropship Parcel Post. This adjustment was necessary to account for the volume in the new dropship rate categories introduced in FY99. These cost reductions were calculated in USPS-T26, Attachment X, page 2. These cost reductions were distributed in USPS-T-14, Workpaper I, volume I, page 201 (mail processing) and page 559 (transportation). Since the Parcel Post cost models (USPS-T-26) estimate costs in test-year dollars, Parcel Post costs could not be adjusted to account for the new dropship rate categories until the test-year. This is what is referred to as the second or "final" adjustment. This is the \$40.604 in FY 01 AR old D Report referred to above.

In contrast, in the BY 1999 filing, only one adjustment was made to Parcel Post total costs. This adjustment is the "final" adjustment shown in LR-I-419. This accounts for both the increase in dropship versus non-dropship and the increase of volume in the new rate categories. Only one adjustment was necessary since BY 1999 already accounted for an increase in dropship volume due to the introduction of new dropship rate categories.

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Interrogatories of Office of Consumer Advocate
(Redirected from witness Patelunas, USPS-ST-44)**

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OCA/USPS-ST44-33. In Order No. 1294, the Commission states that:

All of the comments provided in response to NOI-2 recognize that actual costs are a amore accurate representation of FY 1999 experience than estimates developed by rolling forward FY 1998 costs.... Actual data are obviously more accurate than estimates, and forecasts beginning with actual data are preferable to forecasts beginning with estimates.

Do you agree with these statements? If not, why not.

Response: As a general concept, forecasts beginning with actual Fiscal Year data are preferable to forecasts beginning with estimates. However, it may not always be practical or desirable to update for interim actual results due to the realities and constraints of the ratemaking process. It is also unclear whether updating the base year for differences between estimated and actual interim results will produce changes in the test year that are material enough to warrant the additional time and work required to update forecasts or the due process concerns that may result.

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Interrogatories of Office of Consumer Advocate
(Redirected from witness Patelunas, USPS-ST-44)**

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OCA/USPS-ST44-34. Please confirm that the following is a reasonable projection of FY 2000 total expenses based upon an incorporation of actual year-to-date expenses:

The Financial and Operating Statement for AP 10 reports that total expenses Y-T-D are \$49.5203 billion (as compared to an operating plan projection of \$49.6429 billion, i.e., $49.5203 + 0.1226$ billion). If one completes the FY 2000 estimate by adding a portion of the total FY 2000 costs estimate that you present in USPS-ST-44A (\$65.1715 billion), this would constitute an estimate that consists primarily of actual data, but completed with cost estimates that you recently developed and presented as USPS-ST-44.

The expense figure representing costs for the final three accounting periods of FY 2000 (APs 11-13) is developed in the following manner. The operating plan for FY 2000 filed by the Postal Service in response to interrogatory OCA/USPS-T9-27 on March 31, 2000, present total planned expense of \$64.739 billion. Planned expenses for the final three accounting periods were estimated to be \$15.0961 billion. Thus, they comprised 23.3% ($15.0961/64.739$) of the total planned expense for the year. If one applies that percentage figure to your FY 2000 estimate of \$65.1715 billion, the result is \$15.185 billion. The \$15.185 billion figure (representing the last three accounting periods) is then added to the Y-T-D figure of \$49.5203 for a total FY 2000 estimate of \$64.7053 billion.

- (a) If you do not confirm, then explain fully.
- (b) Also confirm that the projected FY 2000 total expense figure developed above (\$64.7053 billion) is likely to be a more accurate estimate of FY 2000 expenses than the \$65.1715 billion figure you present in Exh. USPS-ST-44A which does not take actual expenses for APs 1-10 fully into account. If you do not confirm, explain fully.
- (c) Confirm that your FY 2000 total accrued cost estimate likely overstates FY 2000 costs by \$466.2 million ($\$65.1715 \text{ billion} - \64.7053 billion). If you do not confirm, explain fully.

Response: (a) - (c) Not Confirmed. The calculation procedure you outline relates to a timeframe different from the FY 2000 timeframe in USPS-ST-44 and therefore is not a reasonable procedure for projecting FY 2000 total expenses. Longer timeframes typically have greater costs. Due to higher workload and the impact of inflation, a later timeframe also typically has greater costs. The FY

**Response of United States Postal Service to
Interrogatories of Office of Consumer Advocate
(Redirected from witness Patelunas, USPS-ST-44)**

20933

2000 period covered in USPS-ST-44 is both longer and later than the timeframe your calculations relate to. The Postal Service proposal in this docket is based on a projection for Government Fiscal Year (GFY) 2000. The calculations in your question relate to the Postal Service's actual performance and operating plan for Accounting Periods 1 through 13 of Postal Fiscal Year (PFY) 2000. GFY 2000 lasts 366 days and runs from October 1, 1999 through September 30, 2000. PFY 2000 lasts 364 days and runs from September 11, 1999 through September 8, 2000.

**Response of United States Postal Service to
Interrogatories of Office of Consumer Advocate
(Redirected from witness Patelunas, USPS-ST-44)**

20934

OCA/USPS-ST44-40. At page 9 of your testimony you state that: "additional cost reductions and other programs were incorporated" as part of the rollforward updates. Please describe in detail all of the changes made to cost reduction and other program estimates. Include in this description.

- (j) Please confirm that, due to the cost reduction and other program estimates that you present in your testimony, exhibits and accompanying library references, when one compares the FY 2000 cost estimate you present in USPS-ST-44 with the FY 2000 cost estimate found in Exh. USPS 9A, your recent cost estimate is more likely to be accurate. If you do not confirm, explain fully.
- (k) Please confirm that, due to the cost reduction and other program estimates that you present in your testimony, exhibits and accompanying library references that when one compares the TYBR and TYAR cost estimates that you present in USPS-ST-44 with the TYBR and TYAR cost estimates found in Exh. USPS 9A, your recent cost estimates are more likely to be more accurate. If you do not confirm, explain fully.

(j) Confirmed for FY 2000.

(k) Not confirmed. The updated estimates more accurately reflect cost level increases. At the same time, the FY 2001 cost estimates now include the impact of Breakthrough Productivity Initiatives and other goals that may be at a greater risk of achievement than the FY 2001 cost reduction programs originally included in this rate filing.

**INTERROGATORIES TO UNITED STATES POSTAL SERVICE FROM THE
OFFICE OF THE CONSUMER ADVOCATE
REDIRECTED FROM WITNESS PATELUNAS**

20935

OCA/USPS-ST44-43. Please refer to pages 5-6 of your testimony stating, "Two new programs, E-Commerce and Co-Branded Advertising/Expanded Retail Product sales, were added to the test year." You further indicate that the two programs cost \$146 million and \$50 million, respectively.

- a) Where do these new programs appear in the FY 2000 Update Capital Investment Plan FY 1998-2002 attached to ANM/USPS-T9-8 (Tr. 2/124)? If they do not appear, please explain.
- b) Please provide the dates when the programs were approved (or expected to be approved) by the level of Postal Service management with final approval over the programs.
- c) Please provide the date of any action or transactions that you contend creates a binding commitment to incur costs for these new projects.
- d) Are any other expenses for either of these programs included in FY00 or FY01?
- e) Were any expenses for these programs included in the initial Request?

Response:

OCA/USPS-ST44-43.

- (a) The \$146 million and \$50 million in expenses are primarily for operating programs, not for capital programs. They are included in the FY 2001 preliminary operating budget.
- (b) The components of E-Business and Co-Branded Advertising/Expanded Retail Products programs have been approved by senior management and/or the Board of Governors and will be included in the FY 2001 budget plan to be submitted for final approval to the Board of Governors.
- (c) Much, if not most, of all projected test year expenses are not incurred by virtue of binding commitments. With respect to these particular programs, the Postal Service will have no opportunity to earn the related revenues unless the underlying expenses are incurred.

**INTERROGATORIES TO UNITED STATES POSTAL SERVICE FROM THE
OFFICE OF THE CONSUMER ADVOCATE
REDIRECTED FROM WITNESS PATELUNAS**

20936

(d)-(e) The funding for these programs represents incremental expenditures, *i.e.*,
spending above what was included in the Request.

**INTERROGATORIES TO UNITED STATES POSTAL SERVICE FROM THE
OFFICE OF THE CONSUMER ADVOCATE
REDIRECTED FROM WITNESS PATELUNAS**

20937

OCA/USPS-ST44-44. Please provide the basis for all of the assumptions together with related documentation supporting the estimates indicated on page 8, lines 16-17 of your testimony that the following test year revenue will be generated by the new programs: E-commerce-\$104 million, co-branded advertising-\$100 million and Retail Product sales-\$100 million.

Response:

OCA/USPS-ST44-44..

Partial objection filed on July 31,2000.

The revenue projections for these programs were judgmentally determined based on the knowledge and experience of their program managers.

E-Business is expected to generate \$104 million in revenue through a variety of initiatives including Mailing Online, Shipping and Enhanced Shipping Online, NetPost Certified (eProof), Secure Billing/Payment, Secure Electronic Delivery Services (SEDS), and PosteCS.

Co-Branded Advertising is expected to generate \$100 million through partnerships with marketers to advertise their brands on a variety of Postal Service assets, including billboard advertising, product displays, promotional events, and advertising on postal trucks, stamp booklets, stamp sheet boarders, and/or stamp cancellations.

**INTERROGATORIES TO UNITED STATES POSTAL SERVICE FROM THE
OFFICE OF THE CONSUMER ADVOCATE
REDIRECTED FROM WITNESS PATELUNAS**

20938

Expanded Retail products is expected to generate \$100 million through a variety of initiatives including Postmark America sales merchandise (such as stationery, greeting cards, stamp albums and computer stationery), packaging items , phone cards and sales from opening additional passport application sites.

**RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY
OF THE OFFICE OF THE CONSUMER ADVOCATE
(Redirected from witness Patelunas, USPS-ST-44)**

20939

OCA/USPS-ST44-51. Please refer to your response to interrogatory OCA/USPS-ST44-37. You failed to provide the *proposed* FY 2001 Operating Budget which was explicitly requested in the interrogatory and which is the basis for many of the changes contained in USPS-ST-44. Instead, you answered that the *final* budget is not available. The OCA asks again that the *proposed* FY 2001 Operating Budget be provided.

RESPONSE:

Please see Response of United States Postal Service to Question Raised at Hearings on August 3, 2000, filed August 15, 2000, responding to a similar question raised at Tr. 35/16813 and 16865-66.

**Response of United States Postal Service
to Interrogatories of
Office of the Consumer Advocate
(Redirected from witness Patelunas, USPS-ST-44)**

20940

OCA/USPS-ST44-52. Please refer to your response to OCA/USPS-ST44-28(b). The August 7, 2000, issue of the *Business Mailers Review* reported that "Acting Chief Financial Officer Dick Strasser explained to *BMR* that the rate case-filing forecast of \$66 million has not changed. He sent a letter to the management committee reiterating that commitment."

- a) Please confirm that such a letter was sent by Mr. Strasser.
- b) Please provide a copy of the letter and any other documents related to Postal Service management's current expectation of net income or loss for FY 2000.
- c) If you do not confirm, please explain the origin of the information reported by *Business Mailers Review* and provide all documents related to the current position of Postal Service management on the original forecast that FY 2000 would finish with a net income of approximately \$66 million.\

Response:

- (a) Confirmed.
- (b) A copy is attached. As for the expectation of a net income or loss in FY 2000, although Postal Service management believes that there is a slim chance of a net income, it has in no way abandoned the objective of earning a net income. Earning a net income is a critical component of the Postal Service's FY 2000 incentive compensation plan. It is hoped that the possibility of achieving this objective will continue to motivate positive actions in the final weeks of FY 2000. But as witness Strasser states at page 5 of his rebuttal testimony, it "has appeared less and less likely as this year progresses that we will actually achieve a positive net income." Witness Strasser notes that through Accounting Period 11 the Postal Service is \$436 million behind its \$100 million net income plan. His testimony also indicates the Postal Service is not amending its Request to reflect these adverse financial results.
- (c) Not applicable.

ATTACHMENT 1

OCA/USPS-5744-52

FINANCE



July 25, 2000

MANAGEMENT COMMITTEE

The Business Mailers Review (July 24) quotes me at the MTAC meeting as saying that our goal of \$100 million in net income is "at risk." It goes on to say that I could have been more candid than that, "...since the USPS has gone on record in the rate case as projecting a loss. In its response to the Postal Rate Commission's Order No. 1294, the Postal Service says it expects to end this fiscal year with a net income loss of \$325 million."

To clarify, we have not changed the rate case FY 2000 net income forecast. Our filing projected a net income of \$66 million, consistent with the \$100 million net income plan. That remains our official position and commitment.

However, Postal Rate Commission Order No. 1294 required the Postal Service to update its rate case projections for actual FY 1999 attributable costs. It also allowed us to reflect the impact of adverse factors such as inflation for fuel, COLAs and additional Workers' Compensation expense, much of which will continue into next year. The \$325 million loss mentioned in the Business Mailers Review is a reflection of the impact of these adversities. This gives us an indication of the magnitude of the challenges we have taken on this year in terms of revenue shortfall and unplanned expense growth.

Concerted management action, with a surge in revenue in Accounting Periods 12 and 13 (better than 3 percent), still make it possible to end the year with a positive net income.

A handwritten signature in black ink, appearing to read "R. Strasser".

Richard J. Strasser, Jr.
Acting Chief Financial Officer
Executive Vice President

cc: Vice Presidents, Area Operations

Response of United States Postal Service
To Interrogatory of Association for Postal Commerce
(Redirected from Witness Unger, USPS-ST-43)

PostCom/USPS-ST-43-6. 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?

PostCom/USPS-ST-43-6 Response.

The requested tables are provided in the attachments to this response.

- a. TPH, TPF, and workhours for FSM 881 equipment with both BCR and OCR capability are reported in the "FSM 881 OCR" categories when the equipment is run in OCR, OCR-BCR, or BCR-OCR modes. TPH, TPF, and workhours for FSM 881 equipment with both BCR and OCR capability are reported in the "FSM 881 Keying" categories when the equipment is run in the manual (keying) mode. TPH, TPF, and workhours for FSM 881 equipment with both BCR and OCR capability are reported in the "FSM 881 BCR" categories when the equipment is run in the BCR mode (if any; please see also Witness Unger's response to PostCom/USPS-ST-43-6, part b).

MODS Productivities for PFY 1999
Excluding Top and Bottom 1% Productivity Ratios Over All APs
TPF and TPH are in Thousands

<u>Group</u>	<u>Description</u>	<u>Number of Observations</u>	<u>Total TPF</u>	<u>Total TPH</u>	<u>Total Hours</u>	<u>TPF/Hour</u>	<u>TPH/TPF</u>
1	FSM 881 Keying - Outgoing	2,750	2,982,342	2,975,651	5,271,898	566	0.998
2	FSM 881 Keying - ADC	1,218	1,414,552	1,404,716	3,453,953	470	0.993
3	FSM 881 Keying - Incoming Primary	2,842	2,211,330	2,196,796	4,727,214	468	0.993
4	FSM 881 Keying - Incoming Secondary	2,323	1,160,262	1,148,714	2,896,498	401	0.990
5	FSM 881 BCR - Outgoing	351	44,386	40,624	50,066	887	0.915
6	FSM 881 BCR - ADC	347	122,205	110,193	112,720	1,084	0.902
7	FSM 881 BCR - Incoming Primary	1,601	867,077	801,380	922,586	940	0.924
8	FSM 881 BCR - Incoming Secondary	1,846	1,783,530	1,660,667	2,338,920	763	0.931
9	FSM 1000 Keying - Outgoing	2,260	1,703,272	1,674,020	2,946,127	578	0.983
10	FSM 1000 Keying - ADC	1,118	1,366,431	1,340,166	2,531,847	540	0.981
11	FSM 1000 Keying - Incoming Primary	2,321	2,472,364	2,426,405	4,123,359	600	0.981
12	FSM 1000 Keying - Incoming Secondary	1,343	456,076	446,977	632,167	721	0.980
13	FSM 1000 BCR - Outgoing	99	14,511	13,618	18,278	794	0.938
14	FSM 1000 BCR - ADC	196	23,881	19,933	17,730	1,347	0.835
15	FSM 1000 BCR - Incoming Primary	711	110,872	95,115	101,193	1,087	0.857
16	FSM 1000 BCR - Incoming Secondary	659	103,716	86,728	80,236	1,293	0.836
17	Manual Flat - Outgoing	3,177	468,135	468,135	1,207,727	388	1.000
18	Manual Flat - Managed Mail (ADC)	728	125,728	125,728	366,788	343	1.000
19	Manual Flat - Incoming Primary	3,677	1,823,894	1,823,694	3,958,825	461	1.000
20	Manual Flat - Incoming Secondary	3,552	3,838,663	3,838,663	9,857,249	389	1.000
21	FSM 881 OCR - Outgoing	1,326	1,211,544	999,474	1,231,548	984	0.825
22	FSM 881 OCR - ADC	784	1,133,559	943,436	1,462,780	775	0.832
23	FSM 881 OCR - Incoming Primary	1,509	1,558,830	1,376,199	2,050,895	760	0.883
24	FSM 881 OCR - Incoming Secondary	1,551	2,368,000	2,158,570	3,121,606	759	0.912
25	Manual Parcels - Incoming	2,333	310,661	310,661	1,465,423	212	1.000
26	Outgoing MLOCR/ISS	3,361	27,455,032	20,483,130	4,266,140	6,436	0.746

MODS Productivities for PFY 1999
Excluding Top and Bottom 1% Productivity Ratios Over All APs
TPF and TPH are in Thousands

<u>Group</u>	<u>Description</u>	<u>Number of Observations</u>	<u>Total TPF</u>	<u>Total TPH</u>	<u>Total Hours</u>	<u>TPF/Hour</u>	<u>TPH/TPF</u>
27	Incoming MLOCR/ISS	2,899	9,074,026	7,175,475	2,429,919	3,734	0.791
28	Outgoing BCS/OSS	3,232	25,521,272	24,612,449	2,948,843	8,655	0.964
29	Incoming BCS/OSS	2,454	6,044,617	5,764,384	759,525	7,958	0.954
30	RBCS Keying	652	11,385,928	11,385,928	16,802,566	678	1.000
31	LMLM	2,252	2,725,739	2,722,801	704,134	3,871	0.999
32	BCS - Outgoing primary	3,396	17,011,980	16,237,733	3,234,602	5,259	0.955
33	BCS - Outgoing secondary	2,558	14,626,431	14,050,199	1,845,831	7,924	0.961
34	BCS - MMP	1,520	29,249,651	28,113,756	5,317,714	5,500	0.961
35	BCS - Incoming Primary	3,500	49,055,581	47,149,627	8,454,799	5,802	0.961
36	BCS - Incoming Secondary	3,528	28,904,101	27,791,441	5,424,086	5,329	0.962
37	BCS - DPS	3,819	105,646,343	99,887,721	11,664,907	9,057	0.946
38	CSBCS - DPS	271	2,886,811	2,856,905	177,874	16,220	0.990
39	Manual Letter -- Outgoing Primary	3,798	6,742,365	6,742,365	15,388,959	438	1.000
40	Manual Letter -- Outgoing Secondary	3,073	1,292,293	1,292,293	3,238,426	399	1.000
41	Manual Letter -- MMP	1,182	2,343,342	2,343,342	4,912,865	477	1.000
42	Manual Letter -- Incoming Primary	3,867	7,685,571	7,685,559	14,672,382	524	1.000
43	Manual Letter -- Incoming Secondary	3,626	6,900,498	6,900,498	16,083,302	429	1.000
44	Box Section -- Station/Branch	712	2,283,929	2,283,929	2,236,255	1,021	1.000

MODS Productivities for AP 13 1999
Excluding Top and Bottom 1% Productivity Ratios Over All APs
TPF and TPH are in Thousands

<u>Group</u>	<u>Description</u>	<u>Number of Observations</u>	<u>Total TPF</u>	<u>Total TPH</u>	<u>Total Hours</u>	<u>TPF/Hour</u>	<u>TPH/TPF</u>
1	FSM 881 Keying -- Outgoing	199	165,918	165,238	317,379	522	0.997
2	FSM 881 Keying -- ADC	91	70,778	70,017	206,058	343	0.989
3	FSM 881 Keying -- Incoming Primary	209	127,311	120,451	265,953	479	0.946
4	FSM 881 Keying -- Incoming Secondary	165	59,718	53,041	163,693	385	0.888
5	FSM 881 BCR -- Outgoing	2	162	149	104	1,559	0.920
6	FSM 881 BCR -- ADC	4	1,714	1,525	2,166	791	0.890
7	FSM 881 BCR -- Incoming Primary	26	10,084	9,287	11,229	898	0.921
8	FSM 881 BCR -- Incoming Secondary	36	22,270	20,905	28,616	837	0.939
9	FSM 1000 Keying -- Outgoing	176	134,020	131,556	228,647	586	0.982
10	FSM 1000 Keying -- ADC	87	110,131	107,662	203,758	541	0.978
11	FSM 1000 Keying -- Incoming Primary	180	193,900	190,084	330,254	587	0.980
12	FSM 1000 Keying -- Incoming Secondary	99	32,730	31,962	48,610	673	0.977
13	FSM 1000 BCR -- Outgoing	9	1,223	1,168	2,184	580	0.955
14	FSM 1000 BCR -- ADC	19	3,254	2,741	1,791	1,817	0.842
15	FSM 1000 BCR -- Incoming Primary	71	11,519	9,628	11,710	984	0.836
16	FSM 1000 BCR -- Incoming Secondary	74	16,759	13,904	14,369	1,166	0.830
17	Manual Flat -- Outgoing	223	34,170	34,170	81,511	419	1.000
18	Manual Flat -- Managed Mail (ADC)	47	8,705	8,705	24,417	356	1.000
19	Manual Flat -- Incoming Primary	271	131,012	131,012	267,120	490	1.000
20	Manual Flat -- Incoming Secondary	262	279,286	279,286	690,492	404	1.000
21	FSM 881 OCR -- Outgoing	164	135,806	111,721	155,298	874	0.823
22	FSM 881 OCR -- ADC	86	120,188	99,728	182,095	660	0.830
23	FSM 881 OCR -- Incoming Primary	195	208,643	185,287	285,851	730	0.888
24	FSM 881 OCR -- Incoming Secondary	204	334,392	294,725	474,072	705	0.891
25	Manual Parcels -- Incoming	167	20,981	20,981	95,829	219	1.000
26	Outgoing MLOCR/ISS	258	1,937,264	1,471,594	315,059	6,149	0.760

MODS Productivities for AP 13 1999
Excluding Top and Bottom 1% Productivity Ratios Over All APs
TPF and TPH are in Thousands

Group	Description	Number of Observations	Total TPF	Total TPH	Total Hours	TPF/Hour	TPH/TPF
27	Incoming MLOCR/ISS	220	604,240	477,831	164,566	3,672	0.791
28	Outgoing BCS/OSS	248	1,700,652	1,638,585	195,214	8,712	0.964
29	Incoming BCS/OSS	171	427,840	408,138	51,623	8,288	0.954
30	RBCS Keying	42	569,886	569,886	790,570	721	1.000
31	LMLM	172	199,450	199,450	52,718	3,783	1.000
32	BCS - Outgoing primary	255	1,211,440	1,164,388	234,467	5,167	0.953
33	BCS - Outgoing secondary	200	1,000,487	960,116	132,587	7,546	0.960
34	BCS - MMP	117	2,053,474	1,974,524	391,540	5,245	0.962
35	BCS - Incoming Primary	265	3,484,805	3,347,755	602,457	5,784	0.981
36	BCS - Incoming Secondary	263	2,031,828	1,953,985	394,970	5,144	0.962
37	BCS - DPS	285	7,841,552	7,507,019	889,047	8,595	0.982
38	CSBCS - DPS	18	170,980	169,283	11,484	14,889	0.990
39	Manual Letter - Outgoing Primary	288	463,265	463,265	1,018,319	455	1.000
40	Manual Letter - Outgoing Secondary	232	94,562	94,562	214,982	440	1.000
41	Manual Letter - MMP	92	160,944	160,944	324,303	496	1.000
42	Manual Letter - Incoming Primary	289	536,193	536,193	974,531	550	1.000
43	Manual Letter - Incoming Secondary	270	478,793	478,793	1,090,256	439	1.000
44	Box Section - Station/Branch	53	166,472	166,472	168,977	985	1.000

MODS Productivities for YTD AP 08 2000
Excluding Top and Bottom 1% Productivity Ratios Over All APs
TPF and TPH are in Thousands

Group	Description	Number of Observations	Total TPF	Total TPH	Total Hours	TPF/Hour	TPH/TPF
1	FSM 881 Keying -- Outgoing	1,632	1,474,289	1,467,175	2,639,520	559	0.996
2	FSM 881 Keying -- ADC	722	581,596	575,607	1,554,229	374	0.990
3	FSM 881 Keying -- Incoming Primary	1,675	1,093,342	1,087,398	2,074,483	527	0.995
4	FSM 881 Keying -- Incoming Secondary	1,260	462,264	459,137	1,158,282	399	0.993
5	FSM 881 BCR -- Outgoing	25	3,084	2,944	1,743	1,769	0.955
6	FSM 881 BCR -- ADC	28	12,474	10,901	13,957	894	0.874
7	FSM 881 BCR -- Incoming Primary	98	55,038	51,058	41,472	1,327	0.928
8	FSM 881 BCR -- Incoming Secondary	182	114,140	105,709	137,838	828	0.926
9	FSM 1000 Keying -- Outgoing	1,432	1,164,333	1,136,745	1,929,747	603	0.976
10	FSM 1000 Keying -- ADC	878	937,721	894,425	1,770,865	530	0.954
11	FSM 1000 Keying -- Incoming Primary	1,436	1,619,501	1,584,664	2,844,493	569	0.979
12	FSM 1000 Keying -- Incoming Secondary	767	247,448	241,837	377,470	656	0.977
13	FSM 1000 BCR -- Outgoing	72	7,254	6,815	23,695	306	0.840
14	FSM 1000 BCR -- ADC	137	18,670	15,794	14,264	1,309	0.846
15	FSM 1000 BCR -- Incoming Primary	527	94,439	80,186	78,574	1,202	0.849
16	FSM 1000 BCR -- Incoming Secondary	602	138,654	116,063	109,861	1,262	0.837
17	Manual Flat -- Outgoing	1,903	323,270	323,270	757,211	427	1.000
18	Manual Flat -- Managed Mail (ADC)	413	93,214	93,214	231,852	402	1.000
19	Manual Flat -- Incoming Primary	2,208	1,164,384	1,164,384	2,414,237	482	1.000
20	Manual Flat -- Incoming Secondary	2,120	2,557,309	2,557,309	6,147,552	416	1.000
21	FSM 881 OCR -- Outgoing	1,340	1,177,028	954,000	1,366,822	861	0.811
22	FSM 881 OCR -- ADC	720	1,153,203	934,471	1,697,595	679	0.910
23	FSM 881 OCR -- Incoming Primary	1,859	1,875,106	1,641,427	2,589,130	724	0.875
24	FSM 881 OCR -- Incoming Secondary	1,739	3,047,604	2,833,415	4,266,803	714	0.864
25	Manual Parcels -- Incoming	1,378	206,901	206,901	949,244	218	1.000
26	Outgoing MLOCR/ISS	2,092	16,512,438	12,950,461	2,659,796	6,208	0.730

MODS Productivities for YTD AP 08 2000
Excluding Top and Bottom 1% Productivity Ratios Over All APs
TPF and TPH are in Thousands

Group	Description	Number of Observations	Total TPF	Total TPH	Total Hours	TPF/Hour	TPH/TPF
27	Incoming MLCR/ISS	1,774	5,264,076	3,888,382	1,440,740	3,654	0.739
28	Outgoing BCS/OSS	2,024	17,641,436	14,831,557	1,895,426	9,307	0.841
29	Incoming BCS/OSS	1,429	3,778,639	3,231,037	434,122	8,704	0.855
30	RBCS Keying	334	5,345,883	5,345,883	7,787,717	686	1.000
31	LM/LM	1,489	1,801,357	1,792,912	472,278	3,814	0.995
32	BCS - Outgoing primary	2,000	10,162,056	9,655,202	1,853,662	5,482	0.960
33	BCS - Outgoing secondary	1,551	8,235,569	7,896,098	1,023,305	8,048	0.959
34	BCS - MMP	971	18,363,401	17,625,307	3,449,529	5,323	0.960
35	BCS - Incoming Primary	2,126	30,761,591	29,535,714	5,145,824	5,978	0.960
36	BCS - Incoming Secondary	2,161	18,800,471	18,025,645	3,480,504	5,402	0.959
37	BCS - DPS	2,336	72,772,616	71,256,528	7,945,474	9,159	0.979
38	CSBCS - DPS	151	1,647,938	1,625,057	99,132	16,624	0.986
39	Manual Letter - Outgoing Primary	2,338	4,172,989	4,172,989	9,071,673	460	1.000
40	Manual Letter - Outgoing Secondary	1,886	890,789	890,789	1,925,438	483	1.000
41	Manual Letter - MMP	744	1,452,138	1,452,138	2,867,889	506	1.000
42	Manual Letter - Incoming Primary	2,352	4,631,338	4,631,338	8,513,486	544	1.000
43	Manual Letter - Incoming Secondary	2,146	4,214,391	4,214,391	9,049,666	466	1.000
44	Box Section - Station/Branch	415	1,478,370	1,478,370	1,327,006	1,114	1.000

**Response of United States Postal Service
to Interrogatories of
Parcel Shippers Association
(Redirected from witness Patelunas, USPS-ST-44)**

20949

PSA/USPS-ST44-1. Please refer to Exhibit USPS-ST-44Z. In particular, please refer to the rows titled "Parcel Drop[ship Volume Shift." Please also refer to LR-I-126, pages 19 and 33.

- a) Please confirm that the meaning of the "7,952" figure in the Parcel Dropship Volume Shift row in the Personnel Cost Reduction section implies that this cost reduction program will reduce cost by \$7.952 million less than was originally projected. If not confirmed, what does it mean?
- b) Please confirm that the meaning of the "44,206" figure in the Parcel Dropship Volume Shift row in the Non-personnel Cost Reduction section implies that this cost reduction program will reduce cost by \$44.206 million less than was originally projected. If not confirmed, what does it mean?
- c) Please confirm that the changes identified in part (a) and (b) effectively cancel out all of the FY 2001 cost savings for these programs. If confirmed, please explain why the Postal Service no longer expects any cost savings to result from the Parcel Dropship Volume Shift cost reduction program.
- d) Please confirm that these cost reduction programs take into account "...the change in the mix of parcel post resulting from the growth of the drop shift portion of the volume. The mail volume effect in the rollforward model does not take this shift into account; therefore, it is handled as a cost reduction adjustment." (LR-I-126, p. 33) If not confirmed, please provide an explanation of these cost reduction programs.

Response:

(a - d) Confirmed that in Exhibit USPS-ST44Z these are no longer cost reduction programs, but that is only part of the story. See the Postal Service response to OCA/USPS-ST44-12(b) redirected from witness Patelunas, USPS-ST44, for an explanation of the treatment used in the Order No. 1294 response filed 7/7/00.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO STAMPS.COM INTERROGATORIES**

STAMPS.COM/USPS-1.

Please confirm that, for letters with a customer-applied 9-digit POSTNET barcode, the Postal Service must mark-out, obliterate or cover up the barcode so that an 11-digit POSTNET barcode can be applied and the original 9-digit barcode will not be read. If you do not confirm, please explain why.

RESPONSE:

Confirmed, if the barcode is in the lower right corner and the piece does not contain a FIM A or C. Not confirmed if the barcode is in the address block. However, a 9-digit barcode on a letter does not allow for DPS processing in the vast majority of instances and could be sorted to the carrier on automation and the carrier would be required to case into walk sequence in the office, unlike DPS letters. A 5-digit barcode can be upgraded to an 11-digit barcode while a 9-digit barcode can NOT be upgraded to an 11-digit barcode.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO STAMPS.COM INTERROGATORIES

STAMPS.COM/USPS-2.

- (a) Please confirm that to process a letter with a customer-applied 9-digit POSTNET barcode, one of the steps taken by USPS is to run the mailpiece through a special machine that places an adhesive label over the 9-digit POSTNET barcode. This allows USPS to apply an 11-digit POSTNET barcode in its place. If you do not confirm, please explain why.
- (b) Please provide the per piece cost to USPS to apply the label described above (including the cost of the label).

RESPONSE:

A letter mail labeling machine (LMLM) does provide an opportunity to place an adhesive label in the lower right corner of an envelope to allow for application of a readable barcode. If a 9-digit barcode is in the address block, the LMLM would not be used since automation can still spray a barcode in the lower right. If two barcodes are present on a piece, the lower right barcode has priority for BCR processing.

Assuming a marginal productivity of 3,852 pieces per hour and a wage rate of \$28.244 per hour, the cost to apply labels would be \$0.733 cents per piece.

The costs per label are *de minimis*.

**REVISED RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF STAMPS.COM**

STAMPS.COM/USPS-3 Please describe all of the processing steps that a letter with a customer-applied 9-digit POSTNET barcode must go through in order to be processed with a USPS-applied 11-digit POSTNET barcode.

Response:

An address block barcoded letter coming through the collection mailstream with a FIM D would be directed from the Advanced Facer Cancellor to the MLOCR which would attempt to encode and spray a barcode. The MLOCR contains a wide area barcode reader to read barcodes in the address block. If the OCR can not read the entire address, the image will go to Remote Computer Read and, if necessary, to the Remote Encoding Center to be keyed for barcoding on a subsequent BCS-OSS handling.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO STAMPS.COM INTERROGATORIES**

STAMPS.COM/USPS-4.

Please confirm that it is more costly for USPS to process a letter with a customer-applied 9-digit POSTNET barcode than it would be to process the exact same letter without a customer-applied 9-digit POSTNET barcode. If you do not confirm, please explain why.

RESPONSE:

In some instances it would be more costly, in other instances it would not.

Please see the responses to STAMPS.COM/USPS-1 through 3.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO STAMPS.COM INTERROGATORIES**

STAMPS.COM/USPS-5.

Please state or estimate all of the additional costs to USPS in processing a mailpiece with a customer-applied 9-digit POSTNET barcode than it would be to process the exact same letter without a customer-applied 9-digit POSTNET barcode. If you do not confirm, please explain why.

RESPONSE:

The Postal Service has not performed a study which quantifies any additional mail processing costs referred to in the responses to STAMPS.COM/USPS-1 through 4.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO STAMPS.COM INTERROGATORIES**

STAMPS.COM/USPS-6.

**Please identify each word processing program (e.g. WordPerfect 8.0. Word 97)
known by the Postal Service to produce CASS-certified 11-digit POSTNET
barcodes.**

RESPONSE:

None produces 11-digit POSTNET barcodes which are CASS-certified.

**RESPONSE OF UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF TIME WARNER, INC.**

20956

TW/USPS-6 A comparison of the WS14.4 worksheet in the B series Segment 14 workpapers for FY98 and FY99 shows a large drop in the "passenger air" costs attributed to Periodicals. For regular rate Periodicals the amount dropped from \$15.532 million to only \$5.37 million, and for all Periodicals the drop is from \$18.859 million to \$6.520 million. There are also significant reductions in Periodicals' use of Christmas Air and Eagle Air. Please answer the following.

- a. Confirm that the Postal Service's policy is to transport Periodicals mail by surface and not by air.
- b. Describe all efforts undertaken by Postal management that may have helped reduce the amount of passenger air transportation of Periodicals between FY98 and FY99.
- c. If the Postal Service has made an effort to reduce the air transportation of Periodicals, please state whether it is expected that this effort will lead to a further reduction of such transportation in FY2000 and FY2001, and provide the best available estimate of cost savings to be realized.
- d. If, as appears from the comparison of FY98 and FY99 segment 14 B workpapers described above, there has been a Postal Service effort to reduce air transportation of Periodicals, please state whether the savings from such an effort has been considered in the roll forward process used in this case.
- e. Please state all reasons known to the Postal Service why some Periodicals are put on airplanes and describe all steps taken or planned to be taken to prevent this from happening in the future.

RESPONSE

- a. Confirmed. There are infrequent instances when Periodicals are flown, because no service-responsive alternative is available.
- b. In each quarter of FY 99, Finance provided Logistics with information from TRACS showing the amount of Periodical mail being put on air at originating stops. This information was sent to the field, under a Vice President's signature, via the Area Vice Presidents, in order to stimulate focus on the Postal Service's commitment to keeping surface mail off of air transport.
- c. The Postal Service continues to collect and transmit information on cases where Periodicals mail is found on airplanes. The Postal Service is

**RESPONSE OF UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF TIME WARNER, INC.**

20957

committed to sustaining the reductions in the air transportation of Periodicals mail achieved in FY 99. No estimates of future cost savings have been made.

- d. The rollforward did not include the reduction in Periodicals air transportation costs in projections of cost for FY 2000 or FY 2001.
- e. See response to MH/USPS-1(c).

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF TIME WARNER, INC.

20958

TW/USPS- 7 Mr. O'Tormey's testimony refers to a recently signed memorandum of understanding (MOU) with the National Association of Letter Carriers (NALC) addressing a work methods change that should have a positive impact on flats handling costs in carrier operations.

- a. Has the Postal Service conducted any analysis to estimate how much costs might be reduced, per Periodical flat and for other flats, as a result of the MOU referred to by Mr. O'Tormey? If yes, please state what the Postal Service estimates the savings might be, and provide copies of all relevant material supporting this conclusion.
- b. Have any savings related to this MOU been assumed in the Postal Service's "roll forward" projections for FY2001?

Response:

- a) Yes. Total savings of \$70 Million can be attributed to the signing of the Memorandum of Understanding (MOU) National Association of Letter Carriers (NALC) in FY 2001. About \$7 Million of this can be attributed to Periodicals. Included is a copy of a memorandum from Mike Spates, Manager, Delivery.
- b) These savings have not been incorporated into the Postal Service's roll forward.



20959

May 3, 2000

RALPH MODEN

SUBJECT: Flat Casing Methods

This is in relation to the information you requested concerning potential savings in city delivery relative to the handling of periodicals. Although city delivery activities related to periodicals are not separated from those of other flats, the following information may be helpful.

Savings may be achieved by converting routes in a DPS environment using the composite bundle work method to the DPS vertical flat casing (VFC) work method. Data from a September 1998 survey of the field indicates that approximately 88k routes fit this category. We anticipate that over the next six months local management can convert somewhere in the neighborhood of 50k routes from the DPS composite bundle work method to the DPS VFC work method. It is estimated that this action has the potential to save ten minutes per route per day or approximately \$70 million in the first full year. The savings are further estimated to be attributable at the rate of 50 percent to cased letters and 50 percent to flats. The remaining 38k routes will be converted over a slightly longer period of time.

Michael F. Spates
Manager, Delivery

cc: Nick Barranca
John Rapp
Pat Mendonca

**RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF TIME WARNER, INC.**

20960

TW/USPS- 8 Mr. O'Tormey's testimony refers to opportunities for cost reductions if mailers were to make full use of the "5-digit scheme sort" made possible by the now available L001 list. O'Tormey also indicates that this option "already has had a positive impact on USPS operations" and that the Postal Service is thinking of making it mandatory.

- a. Has the Postal Service conducted any analysis to estimate: (1) how much the availability of the L001 option may already have helped reduce the costs of Periodicals, through the voluntary compliance that has occurred to date; and (2) how much Periodicals costs might be further reduced, if compliance with the L001 option were to become mandatory? If yes, please state what the Postal Service estimates the L001 related savings are and what they might be, and provide copies of all relevant material supporting this conclusion.
- b. Have any savings related to voluntary and/or mandatory use of the L001 list been assumed in the Postal Service's "roll forward" projections for FY2001?

Response:

- a) Part 1, There is no analysis for the reduction of costs to Periodicals due to voluntary compliance with L001. Part 2, Yes, Savings associated with L001 are about \$3.6 million for Periodicals (see MPA/USPS-ST42-4).
- b) Savings for L001 have not been incorporated into the Postal Service's roll forward.

**RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF TIME WARNER, INC.**

20961

TW/USPS- 9 Mr. O'Torney's testimony refers to opportunities for improved productivity through setting of "more aggressive performance targets in the coming years" (USPS-ST42 at 22, I. 11) and states that one result already achieved is increased productivity in manual flat sorting.

- a. Please describe all "aggressive performance targets" affecting the processing, transportation or delivery of Periodicals that the Postal Service either has established or plans to establish in, respectively, FY99, FY2000 and FY2001.
- b. Please also describe the anticipated savings in each year through FY2001 from each "aggressive performance target" and provide copies of all relevant analyses pertaining to the potential cost savings.
- c. Please provide copies of all relevant written instructions establishing "aggressive performance targets."
- d. Have the savings expected from the setting of any "aggressive performance targets" been assumed in the Postal Service's "roll forward" projections for FY2001? If yes, please identify the "aggressive performance targets" already included in the roll forward.
- e. Was the initiative to increase manual flat sorting productivity extended to Non-MODS and/or Function 4 offices? If yes, what was the result?

Response:

- a) In October, 1999, ten major indicators were established as drivers for cost containment in mail processing and delivery. These indicators are reviewed every two weeks and a scorecard for each area is provided on an accounting period basis. The FY-2000 Scorecard for Major Indicators, includes two performance targets which would affect the processing of Periodicals. They are: The FSM 881 Total Pieces Handled (TPH) per AP and, Manual Flat Productivity % to SPLY.

**RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF TIME WARNER, INC.**

20962

- b) The only savings expected, not already included in the rollforward, are \$15 Million overall from a 5% increase in manual distribution productivity. Of this, about \$2 million is for Periodicals.
- c) Attached is a copy of correspondence establishing the Ten Major Indicator Scorecard along with a copy of the scorecard for AP 7, FY 2000.
- d) Already included in the rollforward are savings from manual flat distribution, Function 4 productivity, and FSM utilization. The additional savings outlined in the response to subpart (b) were not included.
- e) The rate case already includes savings for Function 4 not identified as flats or letters. The additional savings outlined in the response to subpart (b) were not included.

20963

October 28, 1999

VICE PRESIDENTS, AREA OPERATIONS
MANAGER, CAPITAL METRO OPERATIONS

SUBJECT: Ten Major Indicators

Attached is a scorecard on the ten major indicators we discuss on the MOS telecon every two weeks. These are the drivers of cost containment that we have been focusing on since AP 7, FY '99.

The scorecard is simple but it portrays each areas relative standing on these indicators.

John A. Rapp

Attachment

cc: Mr. Lewis
Mr. Potter

**RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF TIME WARNER, INC.**

20964

TW/USPS-10 Mr. Unger's and Mr. O'Tormey's recently filed testimonies both appear to argue that year-to-year comparisons of FSM productivity are misleading because they fail to consider the changing degree to which allied labor functions are recorded as part of the FSM cost pool. See USPS-ST-42 at 17, II. 13-20; USPS-ST-43 at 14, II. 18-26. Mr. O'Tormey refers to a Postal Service effort to reduce "indirect" (allied?) labor associated with flats distribution that had "a negative impact on reported FSM productivity during the transition." USPS-ST-42 at 17, II. 19-20.

- a. Please identify the cost pools from which allied labor might have been transferred to the FSM cost pool under the process described by Unger and O'Tormey.
- b. Please identify all types of allied labor activity that may have been fully or partially transferred to the FSM cost pool from other cost pools.
- c. Did the transfer of some allied labor activity to the FSM pool continue in FY99? In FY2000? Will it continue in FY2001?
- d. Does any analysis exist providing estimates of the degree to which allied labor functions may have been transferred to and become part of the FSM cost pool in recent years? If yes, please provide the results of all such analyses as well as copies of supporting documents.
- e. The IOCS data for FY98 filed in this docket and for FY96 in R97-1 indicate very large increases in manual flat sorting costs incurred at non-MODS offices as well as Function 4 MODS offices, even though the separation of barcoded and non-barcoded flats referred to by Mr. Unger is hardly an issue in those offices. Does the Postal Service believe these increases mean that flat sorting clerks in those offices were performing more allied labor functions in FY98 than in FY96? If not, what are the reasons for the apparent large increases in manual flat sorting costs in Non-MODS and Function 4 offices?
- f. Reported FSM productivity has declined every single year since at least FY88 through at least FY99. See Docket No. R97-1, Tr. 1 I/5565. For how many of those years was the decline caused by the inclusion of more allied labor in the FSM cost pool?

**RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF TIME WARNER, INC.**

20965

Response:

- a) The activities referenced by witness O'Tormey (and witness Unger) would appear in the opening unit (with SAS codes 1OPPREF and/or 1OPBULK in Table 1 of USPS-T-17) or pouching (SAS code 1POUCHING) cost pools if they were not recorded in a distribution operation. See also the response to part (b), below.
- b) It is the Postal Service's understanding that the activities to which witness O'Tormey (and witness Unger) referred were incremental mail preparation activities required to implement automation modes on the FSM, such as separating mail by readability characteristics and barcode presence.
- c) Yes. It is expected that some allied labor hours may continue to be transferred in the short term. However, with the deployment of the AFSM 100 this trend will reverse. The USPS plans to establish separate MODS operation numbers to track mail preparation work hours related directly to the AFSM 100.
- d) There is no analysis which estimates the degree to which allied labor functions may have been transferred to and become part of the FSM cost pool in recent years.
- e) For a discussion of the factors that have caused flats processing to be performed in delivery units (i.e., non-MODS and Function 4 cost pools), please see witness Kingsley's testimony, USPS-T-10, page 14, lines 4 through 7. The Postal Service has not quantified the effect of these factors.

**RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF TIME WARNER, INC.**

20966

- f) As indicated in the response to subpart (d) above, the Postal Service doesn't track this.

Response of United States Postal Service to United Parcel Service
Interrogatory

20967

UPS/USPS-16. For year-end FY1998 and FY1999, provide the number of routes for city carrier routes, Special Purpose Routes, and rural carrier routes, by route type (for example, foot, park & loop, and curb side). If the exact information is not available, provide an estimate.

RESPONSE

See Table below. Data for city letter routes are from AMS, Address Management System. FY 98 totals based on report dated 09/13/1998; FY 99 totals based on report generated 11/01/1999. Rural routes data based on Rural routes Master Listing as of PP20, 2000. No census data for special purpose routes exist. Estimates derived from IOCS, in Office Cost System, (USPS LR I-12 for FY 98) based on sampling rates.

YEAR	Foot	Park & Loop	Curb	Dismount	Other	Total City Letter Route	Rural	Special Purpose Route
FY 98	15,424	87,767	38,679	22,623	1,438	165,931	62,338	9604*
FY 99	14,398	89,258	38,838	23,359	1,070	166,923	64,706	8120*
FY00						167,841*	67,100*	8801*
FY01						168,680*	69,582*	8842*

- 2 -

August 18, 2000, the following data inputs were changed: wage rates, premium pay factors, Remote Computer Read (RCR) unit costs, piggyback factors, and Test Year mail processing unit costs. USPS-LR-I-467 (revised) reflects the inclusion of delivery worksharing related unit costs.

USPS-LR-I-468 (revised)

The cost studies for First-Class letters/cards, First-Class Nonstandard Surcharge, Standard Mail (A) Regular letters, and Standard Mail (A) Non Profit letters have been updated. These studies use Test Year data that have been developed from Base Year 1999 data under the Postal Rate Commission's volume variability methodology. For purposes of developing the original version of USPS-LR-I-468, which was filed on August 18, 2000, the following data inputs were changed: wage rates, premium pay factors, Remote Computer Read (RCR) unit costs, piggyback factors, and Test Year mail processing unit costs. USPS-LR-I-468 (revised) reflects the inclusion of delivery worksharing related unit costs.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:



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August 21, 2000

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF UNITED PARCEL SERVICE

20969

UPS/USPS-20. Using PETE data, provide the number of Priority Mail pieces for FY1999:

- (a) that were delivered within one day;
- (b) that were delivered within two days;
- (c) that were delivered within three days;
- (d) that were delivered within four days; and
- (e) that took more than four days to be delivered.

RESPONSE:

The PETE service performance measurement system does not test Priority Mail with a three-day service standard and only measures service performance for identified Priority Mail.

(a) - (e)

**PETE
Priority Mail Volumes
FY 1999**

Volume Delivered In:	Priority Mail Volume
One Day	153,036,424
Two Days	290,077,691
Three Days	66,221,213
Four Days	19,124,901
Five Days or More	10,483,661
Total	538,943,890

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF UNITED PARCEL SERVICE

UPS/USPS-21. Using PETE data, provide the number of Priority Mail pieces for FY1999:

- (a) that were sent to destinations within a one-day service standard;
- (b) that were sent to destinations within a two-day service standard; and
- (c) that were sent to destinations within a three-day service standard.

RESPONSE:

The PETE service performance measurement system does not test Priority Mail with a three-day service standard and only measures service performance for identified Priority Mail.

(a) - (c)

**PETE
Priority Mail Volumes
FY 1999**

Service Standard	Priority Mail Volume
One Day	86,609,090
Two Day	452,334,800
Total	538,943,890

**RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF UNITED PARCEL SERVICE**

UPS/USPS-22. Using ODIS data, provide the number of Priority Mail pieces for FY1999:

- (a) that arrived at the destination office within one day;
- (b) that arrived at the destination office within two days;
- (c) that arrived at the destination office within three days;
- (d) that arrived at the destination office within four days; and
- (e) that took more than four days to arrive at the destination office.

RESPONSE:

(a) - (e)

**Origin-Destination Information System
Priority Mail Volume
By Days To Delivery, National, FY 1999**

Days To Delivery	Priority Mail Volume Total
One Day	230,381,971
Two Days	439,653,734
Three Days	123,801,186
Four Days	40,757,642
Five Days or More	29,772,882
Total	864,367,415

Sources: ODIS 635 Files

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF UNITED PARCEL SERVICE

UPS/USPS-23. Using ODIS data, provide the number of Priority Mail pieces for FY 1999:

- (a) that were sent to destinations within a one-day service standard;
- (b) that were sent to destinations within a two-day service standard; and
- (c) that were sent to destinations within a three-day service standard.

RESPONSE:

(a) - (c) See response of witness Robinson to question (Tr. 7/2858-9, 7/2915) posed during oral cross-examination. This response was filed on April 26, 2000.

**RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF UNITED PARCEL SERVICE**

20973

UPS/USPS-24. Using Delivery Confirmation data, provide the number of Priority Mail pieces for FY1999:

- (a) that were delivered within one day;
- (b) that were delivered within two days;
- (c) that were delivered within three days;
- (d) that were delivered within four days; and
- (e) that took more than four days to be delivered.

RESPONSE:

The following response is for Priority Mail retail Delivery Confirmation volumes delivered between 3/15/1999 and 9/10/1999 only. It does not reflect the entire Priority Mail product.

(a) - (e)

**Delivery Confirmation Service Performance Data
Priority Mail With Retail Delivery Confirmation
FY 1999**

Volume Delivered In:	Priority Mail Volume
One Day	1,382,818
Two Days	5,748,127
Three Days	986,733
Four Days	484,075
Five Days or More	336,969
Total	8,938,722

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF UNITED PARCEL SERVICE

20974

UPS/USPS-25. Using Delivery Confirmation data, provide the number of Priority Mail pieces for FY1999:

- (a) that were sent to destinations within a one-day service standard;
- (b) that were sent to destinations within a two-day service standard; and
- (c) that were sent to destinations within a three-day service standard.

RESPONSE:

The following response is for Priority Mail retail Delivery Confirmation volumes delivered between 3/15/1999 and 9/10/1999 only. It does not reflect the entire Priority Mail product.

(a) - (c)

**Delivery Confirmation Service Performance Data
Priority Mail With Retail Delivery Confirmation
FY 1999**

Service Standard	Priority Mail Volume
One Day	674,106
Two Day	7,682,552
Three Day	582,064
Total	8,938,722

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF UNITED PARCEL SERVICE

20975

UPS/USPS-28 Using ODIS data, provide the number of First Class Mail pieces for FY 1999:

- (a) that arrived at the destination office within one day;
- (b) that arrived at the destination office within two days;
- (c) that arrived at the destination office within three days; and
- (d) that arrived at the destination office within four days;
- (e) that took more than four days to arrive at the destination office.

RESPONSE:

(a) - (e)

**Origin-Destination Information System
First-Class Mail Volume
By Days To Delivery, National, FY 1999**

Days To Delivery	First-Class Mail Volume Total
One Day	34,954,952,974
Two Days	22,380,217,629
Three Days	11,150,471,462
Four Days	2,594,862,189
Five Days or More	1,530,889,262
TOTAL	72,611,393,516

SOURCES: ODIS 635 FILES

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF UNITED PARCEL SERVICE

UPS/USPS-29. Using ODIS data, provide the number of First Class Mail pieces for FY 1999:

- (a) that were sent to destinations within a one-day service standard;
- (b) that were sent to destinations within a two-day service standard; and
- (c) that were sent to destinations within a three-day service standard.

RESPONSE:

(a) - (c) See response of witness Robinson to question (Tr. 7/2858-9, 7/2915) posed during oral cross-examination. This response was filed on April 26, 2000.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF UNITED PARCEL SERVICE

UPS/USPS-30. Using EXFC data, provide the number of First Class Mail pieces for FY 1999:

- (a) that were delivered within one day;
- (b) that were delivered within two days;
- (c) that were delivered within three days;
- (d) that were delivered within four days; and
- (e) that took more than four days to be delivered.

RESPONSE:

(a) - (e)

**EXFC
First-Class Mail Volumes
FY 1999**

Volume Delivered In:	First-Class Mail Volume
One Day	36,669,012,167
Two Days	20,544,995,296
Three Days	12,793,898,593
Four Days	2,503,099,911
Five Days or More	1,549,400,998
Total	74,060,406,965

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF UNITED PARCEL SERVICE

UPS/USPS-31. Using EXFC data, provide the number of First Class Mail pieces for FY1999:

- (a) that were sent to destinations within a one-day service standard;
- (b) that were sent to destinations within a two-day service standard; and
- (c) that were sent to destinations within a three-day service standard.

RESPONSE:

(a) - (c)

**EXFC
First-Class Mail Volumes
FY 1999**

Service Standard	First-Class Mail Volume
One Day	34,040,381,509
Two Days	20,170,862,377
Three Days	19,849,163,079
Total	74,060,406,965

RESPONSE OF UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF UNITED PARCEL SERVICE

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UPS/USPS-38. For each quarter in FY 1999, provide (a) the quarterly BRPW estimates of revenue, pieces, and weight for each of the mail classes or subclasses for which BRPW was used to derive estimates of revenue, pieces, and weight, (unadjusted or true-up to trial balance), (b) the trial balance revenue balances for each unique account, and (c) the adjustment factors used for each unique trial balance account. If you cannot provide this information, explain in detail why.

RESPONSE.

- a. The BRPW estimates of RPW totals for the four postal quarters of FY 1999 are provided by subclass in USPS-LR-I-333/R2000-1. Mail class totals can be obtained by summing the subclass estimates provided in the library reference.
- b-c. The table below provides the trial balance revenues and BRPW adjustment factors for the AIC revenue accounts used in the BRPW to construct the quarterly estimates of RPW totals for the FY 1999 period.

PQ - AIC	AIC Postage	BRPW Factor
1-121	1071988509	0.99637
1-125	337962322	1.01132
1-130	2953013737	1.00483
1-131	91294514	1.04119
1-135	503543121	0.98708
2-121	1189312067	1.00000
2-125	282149044	1.00000
2-130	2463985822	1.00000
2-131	95067151	1.00000
2-135+224+238	492080163	1.03354
3-121	1319542813	0.99278

RESPONSE OF UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF UNITED PARCEL SERVICE

3-125	295007867	0.97550
3-130	2699134399	0.99577
3-131	79712481	1.01052
3-135+224+238	523842715	0.94852
3-223	165952184	1.06310
3-237	224253652	1.02166
4-121	1637291786	0.98504
4-125	365560030	0.96933
4-130	3405538223	0.99920
4-131	128867528	1.02253
4-135+224+238	639437307	0.98481
4-223	184188312	1.03489
4-237	256581804	1.01687

For the PQ2, FY 1999, period and due to the implementation of the new rate schedule effective January 19, 1999, the trial balance totals for AIC's 121, 125, 130 and 131 were not complete in time for the PQ2, FY 1999, processing period, and as a result, the unadjusted estimates of totals for the associated mail categories were used in their place.

RESPONSE OF UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF UNITED PARCEL SERVICE

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UPS/USPS-39. Provide separately:

- (a) FY1999 BRPW revenue, piece, and weight estimates for each of (i) Inter-BMC, (ii) Intra-BMC, and (iii) DBMC Parcel Post.
- (b) FY1999 DRPW revenue, piece, and weight estimates for each of (i) Inter-BMC, (ii) Intra-BMC and (iii) DBMC Parcel Post.
- (c) FY1999 OMAS and Alaska Bypass Parcel Post estimates.
- (d) FY1999 Combined Enclosure revenue, piece, and weight estimates for Parcel Post.

RESPONSE:

- (a) GFY 1999 BRPW estimates for Permit Imprint Standard Mail (B) Parcel Post

include:

Category	Revenue (000)	Pieces (000)	Weight (000)
Inter-BMC	99,603	25,486	135,910
Intra-BMC	22,630	7,186	53,024
Drop Ship	587,775	220,390	1,278,537
Total	710,008	253,061	1,467,471

- (b) GFY 1999 DRPW estimates for Stamped and Metered Standard Mail (B)

include:

Category	Revenue (000)	Pieces (000)	Weight (000)
Inter-BMC	202,969	34,779	228,539
Intra-BMC	80,991	25,891	120,041
Drop Ship	5,431	1,960	10,994
Total	289,392	62,629	359,574

RESPONSE OF UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF UNITED PARCEL SERVICE

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(c) GFY 1999 Alaska Bypass and OMAS Standard Mail (B) Parcel Post
estimates include:

Category	Revenue (000)	Pieces (000)	Weight (000)
Alaska Bypass	13,125	1,966	96,728
OMAS	8,279	1,327	13,199
Total	21,403	3,292	109,927

(d) GFY 1999 Combination Enclosures Revenue Estimates for Standard Mail

(B) include:

Category	Revenue (000)	Pieces (000)	Weight (000)
Comb. Enclosures	69		

RESPONSE OF UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF UNITED PARCEL SERVICE

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UPS/USPS-40. Explain in detail any changes to any part of the RPW process, system, or subsystems for FY 1999 versus what was done in FY1998. If any changes were made, explain in detail for each change why it was made.

RESPONSE:

Other than the change described in UPS/USPS-T4-42, there were no RPW Adjustment System changes for GFY 1999 relative to GFY 1998. Beginning FY 1999, CAG D and E RPW panel offices were updated for the DRPW system. This change was made in order to ensure that the sampled panel offices are representative of the population. For the FY 1999 period, improvements were made to the BRPW methodology for the permit imprint BPM and Parcel Post mail categories. For permit imprint BPM, the non-automated office panel was discontinued due to the high automated office coverage ratio exceeding 95 percent. The FY 1999 estimates of permit imprint BPM RPW totals were constructed by expanding the automated office's distribution to the known trial balance revenue. For the permit imprint Parcel Post mail category, the BRPW incorporated a new trial balance account for this mail category as explained in the response to UPS/USPS-41.

RESPONSE OF UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF UNITED PARCEL SERVICE

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UPS/USPS-41. When was a unique trial balance account for BRPW Parcel Post first set up?

(a) Was it used to develop the FY 1999 BRPW estimates for Parcel Post?

(b) If not, when was it made part of the RPW process?

(c) If it has not yet been implemented into the RPW process, explain when it is expected to be implemented.

RESPONSE. Effective AP5, FY 1999, a new trial balance account designated AIC 223 was established for the permit imprint Parcel Post mail category.

Effective PQ3, FY 1999, the BRPW began using the quarterly AIC 223 revenue total to adjust the automated office's RPW distribution. Prior to the PQ3, FY 1999 period, the interim factor of 1.0092075 obtained from a PQ2, FY 1997, census was used to inflate the automated office's distribution.

RESPONSE OF UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF UNITED PARCEL SERVICE

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UPS/USPS-42. If any adjustment to the BRPW estimates of revenue, pieces, and weight for Parcel Post was made in FY 1999 to reflect Parcel Post revenue, pieces, and weight sent at non-automated offices (similar to the 1.00920754 blow-up factor used for FY 1998), provide the factor that was used to make that adjustment in FY 1999 and all supporting documentation.

RESPONSE:

There was a nonautomated office adjustment to Quarters 0 and 2 GFY 1999

Permit Imprint Standard Mail (B) Parcel Post RPW data derived from the BRPW System. The factor used was:

1.00920754219

Beginning Quarter 3 GFY 1999 BRPW Permit Imprint Standard Mail (B) Parcel Post RPW data were revenue controlled to AIC 223. Therefore, the nonautomated office adjustment was eliminated beginning Quarter 3 GFY 1999.

RESPONSE OF UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF UNITED PARCEL SERVICE

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UPS/USPS-43. In the case of each class or subclass of mail for which the BRPW system was used to derive estimates of revenue, pieces, and weight in FY1999, provide all of the factors used for Postal Quarters 1 and 4 in FY 1999 to convert the BRPW estimates from a PFY basis to a GFY basis.

RESPONSE:

Please see the attached tables.

COMPUTATION OF PQ 5 FY 99 TRIAL BALANCE DATA (ALSO INCLUDES RECLASSIFICATIONS TO GFY TRIAL BALANCE TOTALS)

11/02/99

Note: PQ 5 = PQ 7 - (PQ 0 + PQ 2 + PQ 3)

Mall Components	PQ 7 FY 99	- PQ 0 FY 99	- PQ 2 FY 99	- PQ 3 FY 99	= PQ 5 FY 99	PQ 4 FY 99	Factor = PQ 5/PQ 4
41416 (First Class Presort Permit Imprint)	5,246,812,903	844,885,395	1,122,849,828	1,319,542,513	1,958,815,058	1,837,291,785	1.19644838
First Class Presort Stamp and Metered (delivery days factor, Mon.-Sat. excl. Holidays)							1.18279570
41310+41318+41320 (Periodicals)	2,153,511,903	401,486,152	492,030,163	523,842,715	136,102,873	638,437,297	1.15117295
41411+41440 (Standard (A) Bulk Reg Permit Imprint)	11,614,219,689	2,371,267,794	2,456,243,591	2,639,134,299	4,087,673,905	3,405,538,223	1.20030187
STD (A) Bulk Reg Stamp and Metered (delivery days factor, Mon.-Sat. excl. Holidays)							1.18279570
41416+41441 (Standard (A) Bulk NP Permit Imprint)	1,288,944,506	275,262,757	278,412,30*	295,007,807	440,261,671	365,560,030	1.20434849
STD (A) Bulk NP Stamp and Metered (delivery days factor, Mon.-Sat. excl. Holidays)							1.18279570
Standard (B) Parcel Post Permit Imprint (delivery days factor, Mon.-Sat. excl. Holidays)							1.18279570
41412 (Standard (B) BPM Permit Imprint)	404,946,182	67,035,009	48,277,262	90,659,486	157,873,625	123,667,528	1.22586060
SIRVO (delivery days factor, Mon.-Sat. excl. Holidays)							1.18279570

Note: the delivery days factor (Mon.-Sat. excl. Holidays) is 110/93 or

1.18279570.

COMPUTATION OF PQ 0 FY 99 TRIAL BALANCE DATA

10/25/99

Note: PQ 0 FY 99 = PQ 1 FY 99 - (PQ 5 FY 95 - PQ 4 FY 95)

Mail Components

	PQ 1 FY 99	- PQ 5 FY 95	+ PQ 4 FY 95	= PQ 0 FY 99	PQ 0/PQ *
41418 (First Class Presort Permit Imprint)	1,071,948,509	1,591,869,726	1,274,560,533	844,639,316	0.78796124
First Class Presort Stamp and Metered (delivery days factor, Mon.-Sat. excl. Holidays)					0.78811584
41312+41320 (Periodicals)	503,543,121	716,703,229	614,646,950	401,486,842	0.79732229
41411+41440 (STD (A) Bulk Reg Permit Imprint)	2,851,813,737	3,789,992,726	3,206,234,765	2,355,626,246	0.82279924
STD (A) Bulk Reg Stamp and Metered (delivery days factor, Mon.-Sat. excl. Holidays)					0.78811584
41414+41441 (STD (A) Bulk NP Permit Imprint)	337,962,322	389,117,334	328,417,759	276,462,287	0.81647765
STD (A) Bulk NP Stamp and Metered (delivery days factor, Mon.-Sat. excl. Holidays)					0.78811584
Standard (B) Parcel Post Permit Imprint (delivery days factor, Mon.-Sat. excl. Holidays)					0.78811584
41442 (Standard (B) BPM Permit Imprint)	91,294,514	146,813,660	124,554,378	69,035,209	0.75424060
SFMSNO	225,769,346	290,653,419	247,903,376	182,219,000	0.81118963

Note: the delivery days factor (Mon.-Sat. excl. Holidays) is 53/59 or 0.76811584

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

UPS/USPS-52. (a) Confirm that in its original filing, the Postal Service provided an overall estimate for advertising costs for the test year of \$270 million. See Exhibit USPS-14K, page 52, column 16.3.5. If you do not confirm, explain and provide the correct figure.

(b) Confirm that in its filing pursuant to Order No. 1294, the Postal Service has reduced estimated overall advertising costs for the test year to approximately \$160 million. See Exhibit USPS-ST44V, page 52, column 16.3.5. If you do not confirm, explain and provide the correct figure.

(c) What accounts for the change in the amount of estimated test year advertising costs? Please provide any directives or other documents which mandate, require, support, or justify the change.

(d) Refer to page 5 of Library Reference USPS-LR-I-150, as revised on March 13, 2000. For each of the line items in that table, indicate the portion of the total savings of approximately \$110 million that is expected to be achieved in the test year.

RESPONSE:

(a, b) Confirmed, although both figures are before contingency. This change is discussed in witness Patelunas's supplemental testimony (USPS-ST-44) at page 5.

(c) In assessing its overall financial condition in light of its financial objectives, the management of the Postal Service has identified Advertising as a portion of the budget in which planned expenditure levels can and should be reduced, relative to the test year expenditure levels anticipated at the time of filing. No documents relating to this determination have been identified, other than USPS-ST-44, as cited above.

(d) The determination to reduce overall Advertising expenditures did not include any attempt to specify line items for reduction, and no line-item information reflecting how the reductions will be allocated is available.

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

UPS/USPS-53. Does the Postal Service anticipate reducing advertising expenditures for Priority Mail in the test year below the level set forth in USPS-T-23, page 14, as revised on March 13, 2000?

RESPONSE:

Yes. Given the situation as described in the response to UPS/USPS-52 of an overall reduction in anticipated advertising expenditures, the total amount of Advertising dollars to be spent on the various products has been reduced. Moreover, in the absence of any better information, the conventional assumption continues to be applied, that advertising will be expended on products in the test year in the same proportions as advertising funds were expended by product in the most recent year for which information is available. In this instance, however, the most recent year for which historical information is available has been advanced from FY 1998 to FY 1999. As a result of these two changes -- the reduction in the total Advertising budget, and the more recent allocation factors from FY 1999 -- the best available estimate of the test year Priority Mail advertising costs (before contingency) is \$54.891 million, as shown in the "C/S 16.3.5 Advertising" column of the ProdSpec worksheet in the Tyaric.xls file of the IC MODEL folder of witness Kay's library reference USPS-LR-I-407 (where the FY 1999 information is also shown). Application of the 2.5 percent contingency brings this amount to \$56.263 million.

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

UPS/USPS-54. Does the Postal Service anticipate reducing advertising expenditures for Express Mail in the test year below the level set forth in USPS-T-23, page 14, as revised on March 13, 2000?

RESPONSE:

Yes. Given the situation as described in the response to UPS/USPS-52 of an overall reduction in anticipated advertising expenditures, the total amount of Advertising dollars to be spent on the various products has been reduced. Moreover, in the absence of any better information, the conventional assumption continues to be applied, that advertising will be expended on products in the test year in the same proportions as advertising funds were expended by product in the most recent year for which information is available. In this instance, however, the most recent year for which historical information is available has been advanced from FY 1998 to FY 1999. As a result of these two changes -- the reduction in the total Advertising budget, and the more recent allocation factors from FY 1999 -- the best available estimate of the test year Express Mail advertising costs is zero, as shown in the "C/S 16.3.5 Advertising" column of the ProdSpec worksheet in the Tyaric.xls file of the IC MODEL folder of witness Kay's library reference USPS-LR-I-407 (where the FY 1999 information is also shown).

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

UPS/USPS-55. Does the Postal Service anticipate incurring advertising expenditures for Parcel Post in the test year of less than \$18.5 million? See UPS-T-5 at 3, Tr. 25/l 1176. See also USPS-T-23 at 15-16, n. 3.

RESPONSE:

Yes. Given the situation as described in the response to UPS/USPS-52 of an overall reduction in anticipated advertising expenditures, the total amount of Advertising dollars to be spent on the various products has been reduced. Moreover, in the absence of any better information, the conventional assumption continues to be applied, that advertising will be expended on products in the test year in the same proportions as advertising funds were expended by product in the most recent year for which information is available. In this instance, however, the most recent year for which historical information is available has been advanced from FY 1998 to FY 1999. As a result of these two changes -- the reduction in the total Advertising budget, and the more recent allocation factors from FY 1999 -- the best available estimate of the test year zone rated Parcel Post Mail advertising costs (before contingency) is \$0.555 million, as shown in the "C/S 16.3.5 Advertising" column of the ProdSpec worksheet in the Tyaric.xls file of the IC MODEL folder of witness Kay's library reference USPS-LR-I-407 (where the FY 1999 information is also shown). Application of the 2.5 percent contingency brings this amount to \$0.569 million.

**COMPELLED RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF UNITED PARCEL SERVICE
REDIRECTED FROM WITNESS HUNTER**

UPS/USPS-T5-28. Provide a copy of any audit results concerning the accuracy or inaccuracy of BY 1998 postage statements.

- a. Explain whether each such audit provides for verification procedures of actual mail delivered by the mailer against what was indicated by the mailer on the postage statement. If so, describe these procedures.
- b. Explain whether each such audit determines the number of errors discovered by mail class, subclass and error type. If so, provide the results of all such determination.

RESPONSE:

A search of Inspection Service records identified 49 financial audits that reported some type of internal control deficiencies in the Business Mail Entry Unit. Internal control deficiencies are sometimes indicative of conditions which would allow inaccuracies in postage statements to go undetected. Forty-seven of the 49 reports were located. For one of the missing reports, we were able to locate a portion of the report which was, in fact, responsive. One report was missing in its entirety for reasons unknown. The Postal Service has been unable to locate any other responsive documents. Copies of the reports are provided in USPS-LR-I-323.

- a. The audit program in effect for BY 1998 did not require auditors to compare actual mailings presented at the BMEU to the respective postage statements. The program prompts the auditor to observe whether or not clerks whose duties include mail verification are knowledgeable and performing their jobs as required. Auditors do, however, often examine postage statements and compare them to other relevant documents in an attempt to determine if entries are accurate, complete and reasonable. In these cases, the mailings which the postage statements represent, have long since been processed. We were not able to determine definitively from reading the report if the techniques employed

COMPELLED RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF UNITED PARCEL SERVICE
REDIRECTED FROM WITNESS HUNTER

by the different auditors included a verification of mailings presented in addition to the one routinely performed by the clerk.

- b. Among the 48 reports with findings in the area of business mail acceptance, those reports where postage statement discrepancies are noted describe them in terms of the class and subclass of mail and error type.

**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)

USPS/USPS-T-11-7. Provide data by year and by quarter for the period from PFY 1970 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.

**Response of United States Postal Service
to
Interrogatories of United Parcel Service
(Redirected from Witness Meehan USPS-T-11)**

20997

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)**

20998

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 THE UNITED STATES POSTAL SERVICE TO 20999
INTERROGATORY OF THE UNITED PARCEL SERVICE, REDIRECTED FROM
WITNESS BRADLEY (USPS-t-18)

UPS/USPS-T18-9. Refer to the Postal Service's response to UPS/USPS-T18-4.

a) Why would "diversion of mail from air to surface" disproportionately affect the extent of emergency contracting in Inter-Area service relative to other categories of Inter-SCF contracts or to other categories of highway transportation contracts?

b) Why would the "opening of the new Southeast HASP facility" disproportionately affect the extent of emergency contracting in Inter-Area service relative to other categories of Inter-SCF contracts or to other categories of highway transportation contracts?

c) Why would "increased emphasis on two- and three-day First-Class service" disproportionately affect the extent of emergency contracting in Inter-Area service relative to other categories of Inter-SCF contracts or to other categories of highway transportation contracts?

d) Why are exceptional service movements more likely to happen "within service areas"? Define the highway contract types to which you refer when you use the term "service area."

e) In estimating volume variability for highway transportation, do you control for variations in the proportion of costs that fall into the emergency and exceptional categories? If not, explain why not.

f) Your discussion of exceptional service costs fails to explain why the proportion of exceptional service costs in Intra-BMC costs is more than double that of the proportion in Inter-SCF or Intra-SCF costs, and almost double of Inter-BMC costs. Please explain.

g) Suppose an unexpected surge in mail volume occurs that requires additional, unexpected transportation resources to be moved. How will such moves be arranged? Under what account will the costs of such moves be classified?

h) Suppose a mechanical breakdown occurs that prevents completion of a highway movement segment. Explain the process by which the decision is made to hold the mail until the next scheduled movement vs. to ship by an exceptional service movement. How is this decision affected by the mix of mail sub-classes and/or the quantity of time-sensitive mail present in the mail which would have been moved on that segment?

i) Provide actual records from TIMES and from Form 5429 for when highway movements required by unexpected surges in mail volume occurred.

j) Provide an analysis of any and all mail volume information available from TIMES and from sources based on Form 5429 for movements that occurred because of unexpected surges in mail volume.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO 21000
INTERROGATORY OF THE UNITED PARCEL SERVICE, REDIRECTED FROM
WITNESS BRADLEY (USPS-t-18)

RESPONSE

- a) Mail diverted from air to surface normally travels longer distances between areas. Therefore, diversions from air to surface would have greater impact on inter-Area service.
- b) As in the response to a) above, mail going to a HASP is consolidated in one area and shipped, in most instances, to another area. Therefore, inter-area transportation operations would be impacted more when compared to inter-SCF transportation.
- c) This could be true because the Postal Service typically uses emergency contracts and exceptional service on existing contracts to offset the impact of unexpected mail volumes or operating delays. As an example, one might experience an unexpected surge in volume late in an operation. In this instance, one might use exceptional service on an emergency contract to ensure that the mail gets to the customer in a timely manner.
- d) Exceptional service is more likely to occur in a service because you are working with a very tight time window to get mail to the downstream offices. Any problem with operations (e.g., mail processing) normally requires exceptional service to make up for lost time.
- e) Answered by witness Bradley.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO 21001
INTERROGATORY OF THE UNITED PARCEL SERVICE, REDIRECTED FROM
WITNESS BRADLEY (USPS-t-18)

- f) The percentage of exceptional service for one category of highway transportation is not necessarily related to the percentage in another.
- g) Operations managers call for exceptional service or emergency contracts.
- h) In those instances where a contractor fails to operate a trip or there is a mechanical failure during route operations, the mail will normally be transported using an extra trip and/or contractor replacement service.

There are a number of factors that will determine which of the above options will be utilized. Examples include the following:

- 1) The contractor calls and states he will not be able to run trip number 801. If the contractor's call is received well in advance of (i.e., several hours before) the scheduled time for trip operations, the contractor might be asked to run a replacement trip later in the tour. In those instances where the call is received very close to the scheduled dispatch time, another contractor would likely be asked to run an extra trip.
- 2) In those instances where a contractor is transporting highly time-sensitive mail (e.g., Express Mail), a replacement trip would be ordered immediately.
- 3) In the case of long haul transportation where a failure to operate has a cascading effect on operations later in the week, an extra trip would be ordered.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORY OF THE UNITED PARCEL SERVICE, REDIRECTED FROM
WITNESS BRADLEY (USPS-t-18)

21002

In summary, the circumstances and options are many, but our fundamental goal is to move the mail in a timely manner.

- i) This information is not available for TIMES and Form 5429 or for TIMES and Form 5397.
- j) This information is not available for TIMES and Form 5429 or for TIMES and Form 5397.

**Response of United States Postal Service
to Interrogatories of
United Parcel Service
(Redirected from witness Patelunas, USPS-ST44)**

21003

UPS/USPS-ST44-1. Refer to Library Reference USPS-LR-I-429, Table 8.

- (a) Confirm that the final adjustments listed in Table 8 do not appear in the final adjustment column in Library Reference USPS-LR-I-424, Volume G, Table E.
- (b) Provide an explanation as to why these final adjustments are missing.
- (c) If there is an error in Table E, please file a revised Table E.

Response:

(a - c) The cited final adjustments were indeed missing from the "D" Reports of the PRC version. The revised "D" Reports associated with Table E, USPS-LR-I-424, Volumes C, E and G were filed as USPS-LR-I-442 on 8/2/00.

**Response of United States Postal Service
to Interrogatories of
United Parcel Service
(Redirected from witness Patelunas, USPS-ST44)**

UPS/USPS-ST44-2. Refer to Library Reference USPS-LR-I-424, Volume G, Table E.

- (a) Confirm that the calculations in the contingency column represent a 1% contingency.
- (b) Provide an explanation as to why the contingency is 1% and not 2.5%.

Response:

(a - b) The contingency amounts were incorrectly calculated at 1% in the "D" Reports of the PRC version. The revised "D" Reports with the correct 2.5% contingency are shown in Table E, USPS-LR-I-424, Volumes C, E and G were filed as USPS-LR-I-442 on 8/2/00.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY
OF VAL-PAK DIRECT MARKETING SYSTEMS, INC., VAL-PAK DEALERS'
ASSOCIATION, INC., AND CAROL WRIGHT PROMOTIONS, INC.

21005

VP-CW/USPS-1. The table below shows Test Year Before Rates volumes for Standard A ECR. The total volumes are the same, but they differ substantially with respect to the details. Please reconcile the TBYS volumes of letter and non-letters as developed and used by witnesses Daniel (USPS-T-28) and Moeller (USPS-T-35).

Standard A ECR Test Year Before Rates Volumes (millions)			
	Daniel		Moeller
Letters	13,127.962	Letters	10,799.400
Non-letters:		Non-letters	
Flats	20,455.078	Pc-rated	13,953.781
Parcels	47.477	Lb-rated	8,877.336
TOTAL	33,630.517		33,630.517

Sources: Witness Daniel (USPS-T-28), USPS-LR-I-92, pages 16, 19-22.
Witness Moeller (USPS-T-35), USPS-LR-I-166, WPI, page 4.

RESPONSE:

The Daniel letter volume is based on the actual shape of the piece, regardless of weight, and is based on a base year figure that is factored up to the forecasted Test Year volume total. The Moeller letter volume is directly from the volume forecast and is limited to letter-shaped pieces below the breakpoint weight.

The Daniel nonletter volumes (which are delineated by shape in this interrogatory) are derived similarly to her letter volume. The Moeller nonletter volumes (which are delineated by piece-rated versus pound rated) are, like the letter volumes, from the Test Year volume forecast.

See also response to interrogatory ADVO/USPS-T28-1.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY
OF VAL-PAK DIRECT MARKETING SYSTEMS, INC., VAL-PAK DEALERS'
ASSOCIATION, INC., AND CAROL WRIGHT PROMOTIONS, INC.

21006

VP-CW/USPS-2. Please refer to VP-CW/USPS- 1. That interrogatory asked for a reconciliation of the estimated Test Year Before Rates volumes of Standard A ECR letters used by witnesses Daniel and Moeller, 13,127.962 million versus 10,799.400 million, respectively. The response to that prior interrogatory stated, in part, that:

The Daniel letter volume is based on the actual shape of the piece, regardless of weight, and is based on a base year figure that is factored up to the forecasted Test Year volume total. The Moeller letter volume is directly from the volume forecast and is limited to letter-shaped pieces below the breakpoint weight.

a. Please confirm that USPS-LR-I-92, Section 2, page 16, gives witness Daniel's estimated letter volumes by ounce, as follows:

<u>Ounces</u>	<u>Volume</u>
0-1	10,031,706,524
1-2	1,845,146,634
2-3	<u>1,034,725,613</u>
Subtotal	12,911,578,771
Over 3 ounces	<u>216,382,951</u>
Total	13,279,961,722

b. Please reconcile witness Daniel's estimate of 12,911.579 million letters that weigh not more than 3.0 ounces with witness Moeller's estimate of 10,799.400 million letters below the 3.3 ounce breakpoint.

c. Please confirm:

- (i) Witness Moeller's volume forecast of 10,799.400 million appears in USPS-LR-166, W.P. 1, page 4, Column 1;
- (ii) The reference on page 4 is to W.P. 1, page 3, which shows corresponding letter volumes, and indicates that the source is USPS-T-6, Table 1 at page 5; and
- (iii) (iii) The forecast in USPS-T-6, Table 1, does not forecast letter and non-letter volumes separately.

d. Please provide an exact reference indicating where the forecast for letter volumes used by witness Moeller in USPS-LR-I-166 (shown below) can be found, provide the original sources for the data in that forecast, and reconcile those data with witness Daniel's volume data for letters.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY
OF VAL-PAK DIRECT MARKETING SYSTEMS, INC., VAL-PAK DEALERS'
ASSOCIATION, INC., AND CAROL WRIGHT PROMOTIONS, INC.

21007

<u>ECR Letters</u>	<u>Volume</u> <u>(000)</u>
Automation	1,891,225
Basic	5,665,732
High-Density	411,860
Saturation	<u>2,830,582</u>
Total	10,799,400

RESPONSE:

- a. Confirmed.
- b. As stated in response to VP-CW/USPS-1, the Moeller and Daniel volume figures were derived separately. The Daniel volume is a base year figure (derived from the PERMIT systems which records the shape or processing category of mail pieces that should match the shape definition in the DMM and used by IOCS) that is factored up to the test year volume total. The Moeller volume is directly from the volume forecast. Both witnesses made appropriate use of the respective volume figures. Witness Daniel used the ratio of total Test Year volume to total Base Year volume to "blow up" the Base Year volumes by weight increment to Test Year volumes by weight increment. This was the appropriate adjustment for Daniel to make since it is consistent with the roll-forward assumption that the mail "mix" remains constant. (The Final Adjustments separately account for the mix change in the Test Year). This use of volumes by shape from the PERMIT system by witness Daniel assures that there is not a mismatch between her usage

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY
OF VAL-PAK DIRECT MARKETING SYSTEMS, INC., VAL-PAK DEALERS'
ASSOCIATION, INC., AND CAROL WRIGHT PROMOTIONS, INC.

21008

of IOCS tallies and corresponding volumes. It would have been inappropriate for Daniel to use Billing Determinant-based volumes (the volumes Moeller uses to ascertain revenue) . To do so *would have* involved a mismatch of cost and volume data. Therefore, there is nothing to "reconcile," since the Moeller and Daniel volumes *should* be different (unless by sheer coincidence they were to match exactly).

Witness Daniel is calculating unit costs, and therefore needs volumes and IOCS tallies on an equal footing. Witness Moeller is estimating Test Year revenues, and therefore needs volumes corresponding to the specific rate category and reflecting whatever mail mix is anticipated in the test year. (These revenues are then compared to Test Year costs that, as a result of the Final Adjustments, also consider mail mix changes.)

c. (i) Confirmed

(ii) Confirmed

(iii) Confirmed

d. USPS-T-6, Attachment A, page 3. See response to subpart (b).

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

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

NOTICE OF UNITED STATES POSTAL SERVICE
OF FILING OF LIBRARY REFERENCE USPS-LR-I-460

The United States Postal Service hereby gives notice that it is filing today the following Category 5 library reference:

USPS-LR-I-460 PRC Version/FY 1999 Update of Parts IV through VII of USPS-LR-I-138/188

Copies are also on file with the Postal Service library. This consists of an electronic version of Parts IV through VII of USPS-LR-I-138/188 using FY 1999 data.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking


Susan M. Duchek

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
August 16, 2000

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

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

NOTICE OF THE UNITED STATES POSTAL SERVICE
OF FILING OF LIBRARY REFERENCES
USPS-LR-I-462 THROUGH I-468 AND I-471 AND I-472
(August 18, 2000)

The United States Postal Service hereby gives notice that it is filing with the Commission today the following Category 4 library references:

- USPS-LR-I-462 FY 1999 Equipment and Facility Related Costs (Update to LR-I-83 Provided in Response to POR No. 116);
- USPS-LR-I-463 FY 1999 and TY Piggyback and Related Factors (Update to LR-I-77 Provided in Response to POR No. 116);
- USPS-LR-I-464 FY 1999 and TY Mail Processing Unit Costs by Shape with Piggyback Factors (Update to LR-I-81 Provided in Response to POR No. 116);
- USPS-LR-I-467 TY Letter, Card and Nonstandard Surcharge Mail Processing Cost Models (Update to USPS-LR-I-162 Provided in Response to POR No. 116) Using FY 99 Base Year; and
- USPS-LR-I-471 TY Business Reply Mail (Unit Costs & Monthly Fixed Cost) and QBRM Cost Avoidance (Update to Sections B and L of USPS-LR-I-160 Provided in Response to POR No. 116) Using FY 99 Base Year.

The Postal Service also hereby gives notice that it is filing with the Commission today the following Category 5 library references:

- USPS-LR-I-465 PRC Version/FY 1999 and TY Piggyback and Related Factors (Update to LR-I-136 Provided in Response to POR No. 116);
- USPS-LR-I-466 PRC Version/FY 1999 and TY Mail Processing Unit Costs by Shape with Piggyback Factors (Update to LR-I-137 Provided in Response to POR No. 116);

- USPS-LR-I-468 PRC Version/TY Letter, Card and Nonstandard Surcharge Mail Processing Cost Models (Update to USPS-LR-I-147 Provided in Response to POR No. 116) Using FY 99 Base Year; and
- USPS-LR-I-472 PRC Version/TY QBRM Cost Avoidance (Update to Section L of USPS-LR-I-146 Provided in Response to POR No. 116) Using FY 99 Base Year.

Copies are also on file with the Postal Service library.

USPS-LR-I-467 and 468

The cost studies for First-Class letters/cards, First-Class Nonstandard Surcharge, Standard Mail (A) Regular letters, and Standard Mail (A) Non Profit letters have been updated. These studies use Test Year data that have been developed from Base Year 1999 data under the Postal Service's volume variability methodology. The following data inputs have been changed: wage rates, premium pay factors, Remote Computer Read (RCR) unit costs, piggyback factors, and Test Year mail processing unit costs. Delivery unit costs are in the process of being updated and could not be completed in time for filing today. It is anticipated that the delivery worksharing related cost update will be completed and filed as early as Monday, August 21st.

USPS-LR-I-471 and 472

The aforementioned delivery worksharing cost avoidance update has no impact on USPS-LR-I-471 or I-472. To expedite production of the updates which appear to be at the center of the discovery request which resulted in POR 116, the update to USPS-LR-I-160 filed today (USPS-LR-I-471) has been limited to Sections B and L of LR-I-160, which pertain to BRM and QBRM. Thus, it does not address the other Special Services for which costs were originally developed in LR-I-160.

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

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

NOTICE OF THE UNITED STATES POSTAL SERVICE
OF FILING OF LIBRARY REFERENCE USPS-LR-I-469

The United States Postal Service hereby gives notice that it is filing today the following Category 4 library reference:

USPS-LR-I-469 Material Provided in Response to POIR 20, Question 2,
Parts a-c (Eggleston)

LR-I-469 contains hard copy and electronic material, prepared by witness Eggleston in response to the indicated portions of POIR No. 20. Copies are also on file with the Postal Service library.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

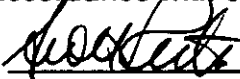
By its attorney



Scott L. Reiter

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.



Scott L. Reiter

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August 21, 2000

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

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

NOTICE OF UNITED STATES POSTAL SERVICE
OF FILING OF LIBRARY REFERENCE USPS-LR-I-473

The United States Postal Service hereby gives notice that it is filing today the following Category 4 library reference in response to questions raised at the August 3, 2000 hearings:


USPS-LR-I-473 FY 1999 Update of Part VIII of USPS-LR-I-106 (Postal Service)
Copies are also on file with the Postal Service library. This consists of an electronic version of Part VIII of USPS-LR-I-106 using FY 1999 data. It should be noted, as indicated in USPS-LR-I-138, that the Postal Service and PRC versions of Part VIII are the same. The contents section of the diskette should be consulted for an explanation of what is included in Part VIII, as well as a description of some minor modifications to Table VIII-A.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



Susan M. Duchek

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August 18, 2000

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

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

NOTICE OF THE UNITED STATES POSTAL SERVICE
OF FILING OF REVISED LIBRARY REFERENCES
USPS-LR-I-467 AND I-468 (ERRATUM)
(August 21, 2000)

The United States Postal Service hereby gives notice that it is filing with the Commission today the following Category 4 library reference:

USPS-LR-I-467 (revised) TY Letter, Card and Nonstandard Surcharge Mail Processing Cost Models (Revised to Reflect Inclusion of Delivery Worksharing Related Costs) Using FY 99 Base Year

The Postal Service also hereby gives notice that it is filing with the Commission today the following Category 5 library reference:

USPS-LR-I-468 (revised) PRC Version/TY Letter, Card and Nonstandard Surcharge Mail Processing Cost Models (Revised to Reflect Inclusion of Delivery Worksharing Related Costs) Using FY 99 Base Year

Each Library Reference consists of two diskettes. The revised diskettes being filed today supersede the ones filed on August 18, 2000.

Copies are also on file with the Postal Service library.

USPS-LR-I-467 (revised)

The cost studies for First-Class letters/cards, First-Class Nonstandard Surcharge, Standard Mail (A) Regular letters, and Standard Mail (A) Non Profit letters have been updated. These studies use Test Year data that have been developed from Base Year 1999 data under the Postal Service's volume variability methodology. For purposes of developing the original version of USPS-LR-I-467, which was filed on

INSTITUTIONAL RESPONSE OF THE UNITED STATES
POSTAL SERVICE TO POIR NO. 1

3. Please provide the electronic version of the spreadsheets used to forecast international mail volume and revenue for FY 2000, FY 2001 (test year before rates) and FY 2001 (test year after rates). Exhibits USPS-32A, USPS-32B and USPS-32C. Please show the quarterly volume forecasts of international mail for 2000-2002 in the same manner witnesses Tolley (USPS-T-6) and Musgrave (USPS-T-8) have presented before- and after-rates quarterly volume forecasts of domestic mail for those years.

RESPONSE:

The requested spreadsheets are being filed as Library Reference USPS-LR-I-180. The requested quarterly volume forecasts are attached to this response.

INTERNATIONAL MAIL VOLUME FORECASTS

21016

	Base Volume
1999:1	233.880
1999:2	276.187
1999:3	237.438
1999:4	278.373
	<u>1025.877</u>

PQtr	Combined Nonrate Multipliers	Before-Rates Rate Multiplier	After-Rates Rate Multiplier	Before-Rates Volume	After-Rates Volume
2000:1	0.243014	0.973877	0.973877	242.790	242.790
2000:2	0.261845	1.034931	1.034931	278.004	278.004
2000:3	0.225440	1.012208	1.012208	234.097	234.097
2000:4	0.283670	0.986859	0.986859	287.186	287.186
2001:1	0.246263	0.978983	0.954673	247.326	241.184
2001:2	0.265201	1.042132	1.007593	283.526	274.129
2001:3	0.228361	1.022480	0.988717	239.537	231.627
2001:4	0.287499	0.999458	0.966545	294.779	285.071
2002:1	0.249776	0.992041	0.959373	254.201	245.830
2002:2	0.269148	1.056235	1.021452	291.640	282.036
2002:3	0.231893	1.039852	1.005609	247.374	239.228
2002:4	0.292059	1.018979	0.985423	305.303	295.249
2003:1	0.253752	1.011597	0.978284	263.337	254.665

GFY Adjustments

PQtr	Before-Rates Volume	After-Rates Volume
2000:0	185.771	185.771
2000:1	242.790	242.790
2000:2	278.004	278.004
2000:3	234.097	234.097
2000:4	287.186	287.186
2000:5	63.705	63.705
2001:0	183.621	177.479
2001:1	247.326	241.184
2001:2	283.526	274.129
2001:3	239.537	231.627
2001:4	294.779	285.071
2001:5	65.476	63.320
2002:0	188.725	182.510
2002:1	254.201	245.830
2002:2	291.640	282.036
2002:3	247.374	239.228
2002:4	305.303	295.249
2002:5	71.819	69.454
2003:1	263.337	254.665

PFY	Before-Rates Volume	After-Rates Volume
2000	1042.077	1042.077
2001	1065.168	1032.013
2002	1098.518	1062.343

PFY Forecasts
PQ1+PQ2+PQ3+PQ4

GFY	Before-Rates Volume	After-Rates Volume
2000	1048.763	1048.763
2001	1066.939	1031.627
2002	1104.862	1068.478

GFY Forecasts
PQ0+PQ2+PQ3+PQ4+PQ5

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO PRESIDING
OFFICER INFORMATION REQUEST NO. 1**

POIR1/USPS-9. Please provide copies of the computer programs used to produce USPS-LR-I-138 and electronic copies of the tables and data presented in USPS-LR-I-138.

RESPONSE TO POIR1/USPS-9.

The computer programs used to produce USPS-LR-I-138 and the copies of the tables and data presented in USPS-LR-I-138 are contained in the diskette filed in USPS-LR-I-188.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 5**

10. In response to OCA/USPS-T-2 the Postal Service submitted LR-I-179 entitled "'GAO' Forecasting Spreadsheet Requested In OCA/USPS-2." OCA/USPS-2 asked the Service to provide the "detailed explanation of its volume forecast scenario" that was given to GAO. Is LR-I-179 a volume forecast that was given to the GAO by the Postal Service? If so, please rename the Library Reference accordingly.

RESPONSE:

Yes. The quotation marks around GAO in the title of the library reference were intended to suggest that this was merely a shorthand reference to distinguish these forecasting spreadsheets from any others circulating around in the case. More precise information regarding the genesis of the forecast was included in the question and answer to OCA/USPS-2, and the notice accompanying the library reference explicitly stated "The spreadsheet supports the forecast provided to GAO and referenced in the question." In isolation, however, the title is potentially ambiguous, and therefore, as requested, a notice is being filed to rename the library reference:

USPS-LR-I-179	Forecasting Spreadsheet Provided to GAO and Requested in OCA/USPS-2
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RESPONSE OF POSTAL SERVICE WITNESS MAYES TO PRESIDING OFFICER'S
INFORMATION REQUEST NO. 12, QUESTION 1

1. Please refer to the response to question 5 of Presiding Officer's Information Request No. 1. The question concerns, among other things, the role that RPW correction factors should play in rate design. These factors significantly affect some subclasses, but not others such as Periodicals. Whether significant or not, it seems important that they be handled appropriately and uniformly among witnesses.

The response agrees that the revenue requirement should be divided by the correction factor at the beginning of the rate design process but then indicates (in part "f") that a correction factor need not be used to estimate the revenue that finally results. To clarify the record, please discuss the logic of the following development, which is adapted to the Postal Service's procedure of developing rates on a TYBR basis.

Suppose for a subclass that the billing determinants multiplied by the rates in the base year yield a "calculated" revenue of \$800 (without fees) and that the official RPW revenue, for some unknown reason, is \$960 (without fees). This produces a correction factor of 1.2 ($960/800$). The mechanics are that whatever revenue is calculated, the actual revenue tends to turn out to be 1.2 times that amount. Now suppose the TYBR cost is \$600 and that an after-fees coverage of 150% is desired. The revenue requirement, then, is \$900 (1.5×600). If the billing determinants were to be used to design rates that yield \$900, which (except for rounding) would then be the calculated revenue, the actual RPW revenue would be expected to turn out to be \$1080 (1.2×900). Since this would be excessive, an adjusted procedure is used.

Assume the TYAR fees are estimated to be \$15, at before rates volumes. Since the fees may not be known at this point, a rough estimate or first-iteration value may be used. The figure of \$885 ($\$900 - \15) is divided by 1.2 to yield \$737.50. The rates are designed according to the billing determinants to yield \$737.50, knowing that the RPW realized revenue will tend to be 1.2 times this much. At the end of the rate design process, the calculated revenue, which will be \$737.50 (except for rounding effects) is multiplied by 1.2 to get an estimate of the realized revenue of \$885. To this, the TYAR fees of \$15 are added. The sum, \$900, divided by the cost of \$600 yields the desired coverage of 150%. If the volume decreases 1% under the new rates, the revenue estimates will decrease by 1%, the costs (to the extent they are volume variable) will decrease 1%, and the fee estimate will decrease 1%. The coverage will be approximately the same.

Please explain whether this process properly represents a logical rate design procedure and whether the rate design procedures used by the Postal Service in this proceeding are consistent with it. If another rate design procedure has been used, please outline it in detail and explain whether it has been used consistently.

RESPONSE OF POSTAL SERVICE WITNESS MAYES TO PRESIDING OFFICER'S
INFORMATION REQUEST NO. 12, QUESTION 1

Response:

The process described in this question somewhat resembles the rate design process used by postal witnesses, a process described in greater detail below. The question asks that this response "explain whether this process properly represents a logical rate design procedure and whether the rate design procedures used by the Postal Service in this proceeding are consistent with it."

Rate Design Processes Cannot Be Identical Across Subclasses

Reason 1: Differences in cost behavior

For several reasons, the rate design process that I will describe below will not be consistent across all rate design witnesses. One reason that the treatment will vary by rate witness and subclass is because cost behavior is not identical for each subclass. The costs will not adjust identically with volume as in the example in the question above, where a 1% decrease in volume is associated with a 1% decrease in costs, for example for subclasses with substantial mail mix changes within the subclass.¹

For this reason, the rate design process is not as simplistic as the one described in the question. The "revenue requirement" for any given subclass is not calculated by simply multiplying the TYBR costs by the desired TYAR cost

¹ It is my understanding that in the rollforward model, some cost reduction programs and other programs, final adjustments and PESSA costs will be distributed on different keys because of the mail volume effect from TYBR to TYAR, thus changing reported unit costs.

RESPONSE OF POSTAL SERVICE WITNESS MAYES TO PRESIDING OFFICER'S
INFORMATION REQUEST NO. 12, QUESTION 1

coverage.² The TYAR revenue requirement must be established with reference to TYAR volumes and costs, not with respect to TYBR volumes and costs.

In circumstances in which the TYAR unit cost is expected to be higher, or is demonstrated through the iterative process to be higher than the TYBR unit cost, it is necessary for the rate design witness to use, in conjunction with the TYBR costs, a "markup factor" or a "target cost coverage" as an input to the rate design workpapers that is higher than the final cost coverage desired.³ Witness Robinson's response to interrogatory UPS/USPS-T34-14 provides a concise description of the use of the markup factor, or what she calls "target cost coverage", as an input to her rate design to ensure that the TYAR cost coverage matches the cost coverage required. Rate witnesses design their rates using the TYBR costs, but through the iterative process, they learn the degree to which the TYAR costs diverge from the TYBR costs and adjust, if necessary, their markup factors and other elements in their rate design workpapers in order to achieve their TYAR cost coverage targets.

It is worth noting that, as a result of insufficient technical language for postal ratemaking, there may be some confusion regarding the use of the term "target cost coverage." The rate level witness gives to the rate design witnesses a set of cost coverages which it is hoped will result after completion of the rate design

² For purposes of this response, a cost coverage is considered to be the ratio of revenue to volume-variable cost.

³ There is an analogous concept in target shooting: "windage." If the wind is blowing from west to east, one does not aim at the center of the target, but rather, somewhat to the west, depending on

RESPONSE OF POSTAL SERVICE WITNESS MAYES TO PRESIDING OFFICER'S
INFORMATION REQUEST NO. 12, QUESTION 1

process. These cost coverages are also sometimes referred to as "target cost coverages." In order to achieve these targets, the rate design witnesses may have to use different cost coverages as inputs to their rate design workpapers. As I have discussed above, the cost coverages used in the rate design workpapers are sometimes referred to as "markup factors" or "target cost coverages," as well. The important thing to understand is that the rate design witnesses may use different cost coverages – whether called "markup factors" or "target cost coverages" or "preliminary cost coverages" or some other term – in order to design rates which will, in the after-rates forecasts of volume, cost and revenue, result in the set of cost coverages requested by the rate level witness. Any difference that is observed between the resulting TYAR cost coverage and the cost coverage used in a set of rate design workpapers should not be construed to indicate significant departure of the resulting TYAR cost coverage from the rate level witness's cost coverage target. Nor should a difference between the two cost coverages be construed to suggest that the rate design witness failed to achieve the TYAR cost coverage target. The cost coverage used in the rate design workpapers would have been purposely set at a level different from the desired TYAR cost coverage precisely with the intent of achieving the desired TYAR cost coverage.

how hard the wind is blowing. The amount by which the aim is shifted to the west is the "windage." Some subclasses need more "windage" than others.

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Reason 2: Differences in forecast detail

A second reason that the process differs across subclasses is that the volume forecasts provide different levels of detail for different subclasses. For some subclasses (e.g., the Periodicals subclasses), the volume forecast provides only the total subclass volume, in which case the rate design process does not have to anticipate or react to changes in the distribution of volume across rate categories in response to proposed rates. The forecasted volume is simply distributed across the rate elements using the billing determinants; there is no change in mail mix. However, for other subclasses (e.g., First-Class Mail letters, Parcel Post and Standard A Regular), the volume forecast provides detail below the subclass level, and the percentage distribution of volume across rate categories – the mail mix – will differ from before- to after-rates. The iterative rate design process for these subclasses is thus somewhat more complicated.

Reason 3: Differences in rate structure and size

Yet another reason that the subclasses differ in their rate design approaches is that there are often fundamental differences in rate structure and revenue size among subclasses. This point may be illustrated clearly by considering First-Class Mail. The First-Class Mail rate structure consists of relatively few rate elements (approximately 20), several of which, in isolation, have a large impact on postal revenues, and several of which are quite visible to the general public. For example, in base year 1998, single-piece mail in the letters subclass generated close to \$22 billion in revenue with three rate elements (first-ounce rate, additional-ounce rate, and the nonstandard surcharge). In designing

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proposed rates in this docket, witness Fronk's First-Class rates were guided by the factors described in detail in his testimony (USPS-T-33), once provided with subclass cost coverage and percentage rate increase targets. These factors include the convention of proposing the first-ounce stamp price in whole cents, the rate relationship between the first-ounce stamp price and automation letter rates, the fact that the class is used heavily by both household and business customers, and the policy importance of the nonstandard surcharge. Indeed, policy objectives are frequently highly important considerations in proposing First-Class rates.

As such, the ratemaking approach in First-Class Mail, for example, cannot be as mechanistic or formulaic as the example cited in the question might suggest. The number of rate elements, the relative revenue importance of those rate elements, the movement of mail pieces between single-piece and workshare in response to price changes, and other ratemaking considerations generally work to make the rate design process complex. These considerations are also likely to make it more difficult within First-Class Mail to precisely hit a cost coverage or contribution target, and to limit the usefulness of explicitly integrating a "target cost coverage" into the rate design workpapers themselves.

Applying Revenue Adjustment Factors

Base year revenues calculated using billing determinants, which are the distributions of volume to rate element, will not exactly match base year

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revenues as reported in RPW.⁴ The expectation is that this same discrepancy between calculated revenue and "actual" revenue would exist in the test year. Thus, the test year revenue estimate, derived by multiplying the rates by the test year volume associated with each rate element, needs to be adjusted up or down accordingly to reflect this base year relationship. Given the nature of First-Class ratemaking as discussed above, the practical point at which to apply a revenue correction factor, or revenue adjustment factor, is after the postage revenue by rate element has been calculated. For example, after single-piece revenues from first ounces, additional ounces, and the nonstandard surcharge have been calculated, the revenue adjustment factor is applied to arrive at the estimated TYAR revenue for the single-piece portion of the letters subclass. This is the revenue adjustment approach used in witness Fronk's workpaper (USPS-T-33 Workpaper, as revised April 17, 2000)⁵, as well as in the rate design workpapers for other subclasses.⁶

⁴ The discrepancies may be due to over- or underpayment of postage by some pieces, or perhaps the result of the mail mix in the billing determinants not exactly matching the mail mix which resulted in the RPW revenue.

⁵ As the Commission is aware, revenue adjustment factors were not incorporated in witness Fronk's workpaper as originally filed (please see response to OCA/USPS-106(d) for an explanation). Incorporating these factors as discussed above and making the other revision described in the response to OCA/USPS-106(d) increased the estimated contribution from First-Class mail from \$18.118 billion to 18.164 billion in the TYAR, which was not large enough within the FCM context to change his proposed rates or the rate design process described in his testimony.

⁶ Presiding Officer's Information Request No. 1, Question 5 asked if the "RPW correction factor" should have been applied to the calculated after-rates revenues for Periodicals. The response filed to that question indicated that it was not necessary to use the RPW correction factor in the calculation of the TYAR revenues. A pending revised response to that question will indicate that the "revenue adjustment factor," or "RPW correction factor," should be used in the calculation of TYAR revenues. Because the RPW correction factors for Periodicals are so close to one, the resulting revenue would be minimally affected by this change.

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It is also useful to put revenue adjustment factors in perspective within the overall rate design process. While the example in the question uses a factor of 1.2 as an illustration and presumably for arithmetic ease, in reality most revenue adjustment factors are very close to 1.00, rarely requiring more than a few *percentage points of adjustment back to RPW revenue*. In terms of First-Class Mail rate design considerations -- and, indeed, for most other subclasses of mail as well -- the revenue correction factors are typically dwarfed in importance by other ratemaking considerations and policy objectives.

Generic Description of the Postal Service's Rate Design Process

As I mentioned in my responses to GCA/USPS-T32-8 and NAA/USPS-T32-3, the rate design process is an iterative one. As such, adjustments of several kinds take place *between each pair of iterations*. Some of the adjustments are necessary because the resultant revenue and volume do not allow for breakeven once the TYAR costs are estimated; some of the adjustments are necessary because the rate design witnesses discover that their expectations of revenue and/or volume do not, in fact, lead to the after-rates cost coverage targets; and some adjustments are necessary to correct known errors and discrepancies.

The rate design process begins with estimates of TYBR volumes. Those volumes are used in the rollforward model to develop TYBR costs. In order to assess the revenue shortfall to determine the revenue requirement in the test year, the estimated costs are compared to the estimated revenue. Each rate



FY - 00 AP - 7

Scorecard for Major Indicators FY - 2000

Enter Rank in each Column, Best = 10, Worst = 0, Best Possible Score is 100

	FSM Utilization			Decrease Manual In Plants		Increase DPS	Capture DPS Savings	Eliminate Negative SEI	Reduce Cost per Delivery	Reduce LDC 45		
Area	881 TPH Pieces Per AP	1000 TPH Pieces Per AP	Manual Flat Productivity % to SPLY	% Manual Letter Volume (Plant)	Manual Letter Productivity % to SPLY	DPS % to SPLY	OEI % to Plan	SEI % to Plan	CPD % to Plan	LDC 45 % to Plan	AP Total	YTD Total
Allegheny	4	1	5	7	6	5	7	4	3	1	43	300
Capitol Metro	0	0	10	3	8	0	4	9	8	0	42	213
Great Lakes	3	10	0	8	7	3	1	10	9	5	56	376
Mid Atlantic	1	3	7	5	1	7	9	8	10	4	55	388
Midwest	10	9	4	0	2	4	6	6	2	7	60	373
Northeast	7	4	8	2	10	2	3	7	6	6	55	317
NY Metro	2	5	2	1	4	8	0	5	5	3	36	261
Pacific	5	2	1	4	5	9	5	0	0	2	33	351
Southeast	9	6	9	10	9	6	8	2	7	9	77	545
Southwest	6	6	6	9	0	1	2	3	4	10	47	383
Western	8	7	3	6	3	10	10	1	1	8	57	362

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ATTACHMENT
TW/USPS-9
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design witness uses base year billing determinants, sometimes adjusted for additional rate elements not present in the base year, to distribute the TYBR volumes to rate elements in order to calculate TYBR revenue. At this stage, after distributing the TYBR volumes to rate element and applying the current (R97-1) rates, the rate witnesses would have applied the appropriate revenue adjustment factors. Although there is no official RPW version of the TYBR or TYAR revenue, the reasonable assumption is made that the discrepancies between the base year calculated revenues (developed from the base year billing determinants) and the actual base year RPW revenues would be the same discrepancies in percentage terms between the calculated TYBR revenues (using the base year billing determinants with the TYBR aggregate volumes) and the TYBR actual revenues.

In this rate case, I began – as noted in my responses to GCA/USPS-T32-8 and NAA/USPS-T32-3 – with TYBR volumes, revenues and costs, and developed approximations of the TYAR volumes, costs, revenues and cost coverages. I simulated the after-rates volume effects by using the own-price elasticities and cross-price elasticities as developed by witnesses Thress (USPS-T-7) and Musgrave (USPS-T-8), with the lags truncated so that only the test year effect on volume would accrue. I used these volume estimates in conjunction with TYBR costs and other costing information as I attempted to approximate the TYAR

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effects before giving to each rate design witness my expectations of cost coverages⁷ and percent rate increases by subclass.

Each rate design witness was given one or more TYAR cost coverage targets and the percent rate increases I expected to be associated with those cost coverages.⁸ Each rate witness had available the own-price elasticities, and TYBR volumes, revenues and costs, and by using this information in conjunction with target cost coverages or markup factors, developed sets of rates which they expected would come close to the cost coverage targets and percentage increases I had provided to them.

As noted above, for various reasons, several iterations of this rate process were necessary. Each time the rate design witnesses produced a set of proposed rates, a TYAR volume forecast was produced. This volume forecast was then used by the rate design witnesses in conjunction with the billing determinants and revenue adjustment factors to develop TYAR revenue forecasts. The TYAR volume forecast was also used to develop cost forecasts. With each iteration, additional information was incorporated, known errors were corrected, and more knowledge was gained regarding the behavior of TYAR volumes and costs. This knowledge enabled the rate design witnesses to pinpoint the markup factors and other rate design adjustments necessary to more accurately attain their cost

⁷ As noted elsewhere, including in my testimony at page 18, the cost coverages were calculated as the ratio of revenue to volume-variable cost but were set with consideration of the product specific costs such that the revenue for any subclass would more than adequately cover its product specific costs while also making an appropriate contribution to institutional costs.

⁸ See also Tr.11/4491-93.

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coverage targets and percentage increases. Many of my original cost coverage targets were revised somewhat in order to ensure that TYAR financial breakeven occurred, sometimes because my original approximations were not close enough, sometimes because the results were not acceptable to postal management, and sometimes to enable rate design witnesses to achieve smooth rate transitions.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 15,
QUESTIONS 2(a) & 2(b)

2. The Postal Service initially estimated FY 1998 Parcel Post volume to be 266,479 thousand pieces (FY 1998 RAW, 11/5/98). In FY 1999, it retroactively adjusted the FY 1998 Parcel Post volume to be 316,148 thousand pieces (FY 1999 RAW, 11/19/99). The initial estimate of FY 1998 Parcel Post volume is based solely on the DRPW system and the adjusted estimate on a new BRPW/DRPW method. The difference between the two FY 1998 Parcel Post estimates is an increase of about 50 million pieces, or 19 percent.
- a. Please explain why the long-accepted DRPW sampling system was underestimating Parcel Post volume by such a large proportion in FY 1998.
- b. Please identify all aspects of the RPW sample design as well as the data collection, processing, and estimation methods that account for the difference between the two estimates in FY 1998. Do not include the sampling error in your investigation. For the procedures identified, please explain how their implementation may have occasioned or contributed to the discrepancy.
- c. ***

RESPONSE:

- a. We had been considering the DRPW/BRPW discrepancy for some time both to identify its causes and to determine which source provided better estimates.¹ Our best understanding is that DRPW was undercounting volume because of a data collection issue. Permit imprint Bound Printed Matter in Standard Mail (B), like permit imprint Standard Mail (A), are noncountable (*i.e.*, not counted) in DRPW. We believe some DRPW data collectors were incorrectly generalizing by considering all Standard Mail (B) permit imprint mailpieces as noncountable.

Other factors contributing to an undercount could be (a) not sampling Parcel Post bearing the "Bulk" payment marking because of its

¹ This topic will be addressed in greater detail by rebuttal testimony.

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QUESTIONS 2(a) & 2(b)**

similarity to the Standard Mail (A) "Bulk Regular" marking; and, (b) not sampling the small amount of permit imprint Parcel Post that enters the Postal Service weighing less than a pound; this mail could be misidentified as Standard Mail (A) and would therefore be treated as noncountable.

- b. Sampling design, data processing and data estimation did not contribute to the DRPW parcel post undercount. The cause of the undercount lay in the data collection items described above in response to part (a). In all those examples, data collectors did not record the permit imprint Parcel Post mailpieces into the DRPW laptop software. Thus the volume was undercounted at the beginning of the DRPW system.

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AT TR35/16801-5**

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In the cross-examination of Postal Service witness Patelunas, USPS-ST-44, on August 3, 2000, Commissioner LeBlanc asked the following questions as discussed in TR35/16801-5, 16809, and 16810. He provided the table from USPS-LR-I-420, section 2, page 1 (shown at TR35/16810) and noted that it showed "that the direct unit mail processing cost of Nonautomation Presort letters is about 2-3/4 cents, or if you will accept my math, about 40 percent higher than the benchmark Bulk Metered Mail." He pointed out that the "volume variable costs of processing [First-Class] Nonautomation Presort increased by roughly 25 percent" between FY1998 and FY1999. He also pointed out that "the cost of processing Standard A Regular Nonautomation letters also increased substantially by about 32 percent." He commented that "it appears that much of the increased cost occurred in a few cost pools which nearly doubled between '98 and '99, such as manual unit distribution and manual sorting [at] non MODS offices, among other things."

He provided the following questions:

- a. [The above] would suggest that presort mail is more expensive to process than mail which is not presorted. Is this a result that one would ordinarily expect, would you think?
- b. Was there some change in methodology, cost measurement technique or operational procedure for processing Nonautomation letters, which may have caused such a drastic increase?
- c. If you assume this cost data is correct, accurate, is there something about the characteristics of Nonautomation Presort that would cause it to be more expensive to process than mail that is not presorted?
- d. Is the Postal Service handling Nonautomation Presort in a new way that not only prevents it from taking advantage of the worksharing that has been done, but causes it to be more expensive than the nonworkshared mail?

RESPONSE:

As a preface to responding to these questions it is useful to summarize the changes in costs between FY1998 and FY1999, which are the basis for the differences in test year costs associated with Order No. 1294 as compared with our original filing. We concur with Commissioner LeBlanc's statement at

**RESPONSE OF THE POSTAL SERVICE TO QUESTIONS
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TR35/16803 that "the volume variable costs of processing BMM were fairly stable between '98 and '99." The volume variable labor processing cost of First-Class Nonautomation Presort letters did rise by 25 percent between FY1998 and FY1999, as indicated at TR35/16803. However, since Nonautomation volume went down by about 11 percent, the First-Class Nonautomation Presort letter processing labor unit cost rose by 41 percent. Likewise, the Standard A Regular Nonautomation Presort letter processing labor unit cost rose by 47 percent, also due to a combination of increased costs and lower volume. The processing labor unit costs for First-Class Cards, Nonautomation Presort and Standard A Nonprofit, Nonautomation Presort Letters also increased by 11 percent and 19 percent, respectively. Commissioner LeBlanc's statement that the increase appeared to be focused in a small number of cost pools is true for First-Class Nonautomation Presort letters, but this is not true for First-Class cards or the Commercial or Nonprofit Standard A categories.¹

In general, the average of Automated and Nonautomated costs for letters and cards has not changed much between FY1998 and FY1999. Instead there has been a shift of costs from Automation to Nonautomation, leading to the rise in the nonautomation unit costs and the decline in the automation unit costs. As

¹ The FY1998 and FY1999 costs and volumes discussed above are provided in USPS LR-I-81 and USPS LR-I-415. FY1998 and FY1999 unit costs can be computed using the spreadsheets associated with these library references by removing the factors for test year adjustments (setting them to 1) and removing the piggyback factors (also setting them to 1).

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discussed below in response to part b, there has been a change in the method used to develop the Automation/Nonautomation cost split. This methodology change is likely an important contributor to this shift in costs. This methodology change was intended to prevent an understatement of the Nonautomation costs. It may well have caused an overstatement of such costs as discussed below. The response to questions a, c, and d also is consistent with the notion that FY 1998 may understate Nonautomation costs, while FY 1999 may overstate them.

a.c.d. A comparison of the mail processing unit costs between nonautomation presort letters and Bulk Metered Mail (BMM) letters does not yield a cost difference due to presortation alone. The mail characteristics for these mail types are quite different.

For example, the First-Class Mail Characteristics study conducted in Docket No. R97-1 (USPS LR-H-185) showed that a fairly high percentage of nonautomation presort letters is nonmachinable. In other words, this mail is processed manually through the entire postal network. In the current docket, these mail characteristics data are included in the entry profile spreadsheets in witness Miller's testimony (USPS-T-24, Appendix I, page I-38). The entry profile spreadsheet shows that nearly 25% of nonautomation presort letters is entered directly into manual operations. In contrast, the vast majority of metered mail is machinable.

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Of these machinable mail pieces, a lower percentage of nonautomation presort letters will be barcoded on automation. An Accept and Upgrade Rate Study was conducted in Docket No. R97-1 (USPS LR-H-130). This study showed that the encode rate (percentage barcoded) on the Multi Line Optical Character Reader Input Sub System (MLOCR-ISS) was 59.9% for nonautomation presort "OCR upgradable" letters and 52.0% for nonautomation presort "Non-OCR upgradable" letters. (The latter account for a third of the machinable Nonautomation letters.) The MLOCR-ISS encode rate for metered letters was 60.7%.

The same encode rate differences can be found on the Mail Processing Bar Code Sorter Output Sub System (MPBCS-OSS). The encode rate was 73.6% for nonautomation presort "OCR upgradable" letters and 68.7% for nonautomation presort "Non-OCR upgradable" letters. (The latter account for a third of the machinable Nonautomation letters.) The MPBCS-OSS encode rate for metered letters was 78.4%. Therefore, a greater percentage of the nonautomation presort machinable letters will ultimately be rejected on automation and processed in manual operations.

Witness Miller (USPS-T-24) relied on CRA-derived cost estimates for both the Bulk Metered Mail (BMM) letter benchmark and the nonautomation presort letters rate category. Despite this fact, he

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developed nonautomation presort letters and metered letters cost models for comparison purposes. The model cost results were 6.296 cents for nonautomation presort letters (USPS-T-24, Appendix I, page I-4) and 5.269 cents for metered letters (USPS-T-24, Appendix I, page I-16).

Given these facts, it is not surprising that the savings due to presort in the nonautomation presort letters rate category is being offset by other factors. It is difficult, however, to determine the extent to which the nonautomation presort letters costs are changing over time because the mail characteristics studies have not been updated since Docket No. R97-1. It is possible that the percentage of nonautomation presort letters that are being processed manually has increased over the past few years. Postal Bulletin 22016 (1-27-00) announced that the Domestic Mail Manual (DMM) has been revised to allow mailers to specify that they want their mailings processed manually. They simply need to indicate "MANUAL ONLY" on the tray labels if this is their preference.

- b. There was a change in the methods used to determine Automation and Nonautomation costs for FY1999 that may account for much of the cost differences between FY1998 and FY1999. The exact impact of this methodology change cannot be fully determined since we cannot control for any other changes that may have occurred between the two years.

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Nevertheless, it does appear that the methodology change leads to a significant and sufficient magnitude of cost changes that it is likely the cause for much of the shift.

Furthermore, the methodology change was intended to prevent a potential understatement of Nonautomation costs. However, it may have caused an overstatement of Nonautomation costs. We are unable to determine the potential magnitudes of either the understatement of the FY1998 Nonautomation costs or the overstatement of the FY 1999 Nonautomation costs as discussed below.

The methodology change involved changes in data collected in IOCS as well as corresponding changes in the use of these data to determine if sampled pieces were Automation or Nonautomation. Two types of information are obtained from IOCS for this purpose. The first type of information is from IOCS question 23C, on piece markings, as shown in USPS LR-I-14, page 13-15. This question ascertains if the mail piece contains the marking "AUTO" or an abbreviation of AUTO. Pieces with AUTO markings are counted as Automation mail. About half of the First-Class letter Automation observations or tallies have pieces with AUTO markings, though a much lower percentage of the Standard A letter Automation observations have AUTO markings.

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The second type of information, from IOCS question 22C (which is relevant for pieces without the AUTO markings), asks the data collector to see if the piece has an address block barcode or a barcode showing through a window in the lower right area of the envelope (the "barcode clear zone"). This question is shown in USPS LR-I-14, page 12-11 for FY 1998 and also in Attachment 1. This question was revised in FY 1999, to request that barcodes be identified as either 9-digit or 11-digit as shown in Attachment 1. For letters and cards, only the 11-digit barcodes are included as Automation, while the 9-digit is Nonautomation. This appears to have lead to a significant shift in our cost estimates from Automation to Nonautomation. About one fourth of the observations or tallies of pieces with an address block barcode or barcode showing through a window were determined to have a 9-digit barcode rather than an 11-digit barcode.

Letter and card automation rates require a "delivery point barcode," which is usually an 11-digit, but not always. From some addresses 9-digit or even 5-digit barcodes are the "delivery point barcode." As a result the FY 1998 method may have understated Nonautomation costs by assigning tallies for pieces with 9-digit barcodes, some of which were not "delivery point barcodes" to Automation. Alternatively, the FY 1999 method may have overstated the costs for Nonautomation by assigning

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tallies for pieces with 9-digit barcodes, some of which may be "delivery point barcodes," to Nonautomation.

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FY 1998 and FY 1999 Versions of IOCS Question 22C

FY 1998

08/10/00	IOCS 22C - Version 8.2	14:31
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AUTOMATION RATE BARCODE (ADDRESS BLOCK OR INSERT ONLY)

Does the mailpiece have a 9- OR 11-DIGIT BARCODE that appears either in the ADDRESS BLOCK or on an INSERT showing through a window in the lower right area ("clear zone") of the envelope?

(Y/N) []

FY 1999

08/10/2000	IOCS 22C - Version 9.2	14:30
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AUTOMATION RATE BARCODE (ADDRESS BLOCK or INSERT ONLY)

Examine the mailpiece for a mailer applied automation rate barcode. This should be a 9- or 11-DIGIT BARCODE that appears either in the ADDRESS BLOCK or on an INSERT showing through a window in the lower right area ("clear zone") of the envelope. A barcode applied by the Postal Service is not an automation rate barcode and should be recorded as choice "C" below.

Determine the barcode type by counting the barcode's 'high bars'. What type of barcode is on the mailpiece?

- A. 9-Digit barcode (22 high bars counted)
- B. 11-Digit barcode (26 high bars counted)
- C. No automation rate barcode

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QUESTION Tr.35/16807-808. "Now, in the updated version, the unit cost increases 18 percent between 1999 and 2000 and decreases 5 percent between 2000 and 20001, the opposite of what originally occurred, if you will . . . is there any way that you can look into that and get back with me in writing as to actually if anybody knows of any – why it occurred, if you will?"

Response:

The increase in the PMPC contract costs from the amounts reflected in the original filing related mainly to recalculations of the cost per piece. The reason for the estimated decline in costs in FY 01 versus FY 00 relates mainly to expected operating efficiency improvements.

**RESPONSE OF UNITED STATES POSTAL SERVICE TO QUESTION RAISED
AT HEARINGS ON AUGUST 3, 2000**

QUESTION: Chairman Gleiman requested the operating budgets for FY 1999, FY 2000 and FY 2001 (when approved). He requested more detailed, rather than aggregated, information, such as "volumes and costs by mail class." He requested what the Governors approve, "not some aggregated subset of what the Governors approve." Tr. 35/16813 and 16865-66.

RESPONSE:

When the Postal Service's Board of Governors approves the Postal Service's budget, what it specifically approves is a net income goal and a set of planning parameters that support that net income goal. The Board is not supplied with and does not vote on detailed operating plans. Detailed operating plans have typically not been completed at the time the Board votes on the budget.

Detailed operating plans represent management's tactics for operating the business. These plans are built by management to support the Board-approved budget, but are too detailed and dynamic to warrant Board approval. As a year progresses, the Board is regularly briefed on progress against the net income plan. Management also briefs the Board on highlights of its performance against the detailed operating plan, focusing on current areas of emphasis and interest.

The detailed operating plan is presented in multi-page reports filed 13 times a year with the Postal Rate Commission. These are the Financial & Operating Statements issued each accounting period. For the detailed operating plan, Postal Service management uses a flexible budget planning process so plans can best reflect the most current knowledge and information, such as the cost impacts of volume and non-volume workload changes and the impact of

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inflation on Postal Service costs. This means that although the Postal Service adheres to the broad budget parameters approved by the Board, operating plan details change on a continuing basis, for example, reflecting changed allocations to different postal functions and program changes.

As indicated, detail on the Postal Service's actual operating results and progress against supporting its overall net income goal are contained in the Financial & Operating Statements. Thus, for FY 1999, year-end operating result detail is contained in the Financial & Operating Statement for AP 13. For FY 2000, the operating results through AP 11 are contained in the most recent Financial & Operating Statement filed with the Postal Rate Commission on August 7, 2000. The Postal Rate Commission also receives account level detail in the National Consolidated Trial Balance, which is also filed every accounting period.

With regard to FY 2001, the Postal Service will provide the budget parameters approved by the Board, once such approval has been obtained. Operating result detail will be available in each AP's Financial & Operating Statement as the fiscal year progresses.

**RESPONSE OF UNITED STATES POSTAL SERVICE TO QUESTIONS RAISED AT
HEARINGS ON AUGUST 3, 2000**

QUESTION: Chairman Gleiman: "[P]rovide updates for FY '99 to Parts roman IV through VIII of Library Reference of Library Reference I-106, Library Reference I-138, and Library Reference I-188, all of which contain information on Cost Segment 3 Variable Costs using both the USPS and PRC treatments. . . ." Tr. 35/16830.

RESPONSE:

Please see USPS-LR-I-458, which contains FY 1999 updates to Parts IV through VII of USPS-LR-I-106.

**RESPONSE OF UNITED STATES POSTAL SERVICE TO QUESTION RAISED AT
HEARINGS ON AUGUST 3, 2000**

QUESTION: The Postal Service was asked by Chairman Gleiman to produce "updates to Library Reference 335, which pertain to rural carrier cost calculated with annual Carrier Cost System data. . . ." Tr. 35/16830-31.

RESPONSE:

The requested information is contained in USPS-LR-I-455.

Response of United States Postal Service
to
Questions Raised at Hearings

21047

QUESTION. Tr 35/16833. "CHAIRMAN GLEIMAN: Okay, so then you wouldn't be able to tell whether there had been a change in mail characteristics or processing procedures?"

Response:

We are not aware of any changes in mail characteristics or processing procedures that would have contributed to the increase in Special Standard unit costs, other than the endorsement change implemented in January 1999, mentioned in the previous response. (The change was that the Special Standard rate marking had to be in the postage area rather than just anywhere on the piece.)

Response of United States Postal Service
to
Questions Raised at Hearings

21048

QUESTION. Tr 35/16833. "CHAIRMAN GLEIMAN: The unit costs for Standard B special mail increased between FY '98 and FY '99 by 21 percent from \$1.30 to \$1.56. Much of this increase, 17 cents, appears to be related to Cost Segment 3, clerks and mail handlers. Can you explain why the Cost Segment 3 costs have increased so much?"

Response:

There were methodological changes between fiscal year 1998 and fiscal year 1999. However, even using comparable methodologies for 1998 and 1999, Special Standard mail processing costs still increased (46.3% under the PRC version between base year 1998 and fiscal year 1999, 43.6% under the USPS version). The increase is due primarily to an increase in Special Standard direct tallies. A change in the endorsement requirements for Special Standard in fiscal year 1999 may have resulted in improved identification and contributed to an increase in IOCS Special Standard observations. In addition, Special Standard observations could vary due to sampling error or underlying cost changes.

**RESPONSE OF UNITED STATES POSTAL SERVICE TO QUESTION RAISED BY
PUBLISHING ASSOCIATIONS AND COMPANIES**

**Hearing Question, of Publishing Associations and Companies at Tr.6/2501, line
25 - 2502, line 4**

Mr. Chairman, I would like to make a request for further information, if the Postal Service has it, as to any literature they might have that defines these terms [Processing and Distribution Center, Customer Service District, Cluster, and Area], literature that is actually used by operations personnel.

Response

The only responsive information the Postal Service has been able to locate is the document containing official Postal Service definitions for the new purchased highway transportation accounts, attached as Appendix B to witness Bradley's testimony (USPS-T-18). If further information is located, it will be supplied.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO ORAL QUESTION OF COMMISSIONER OMAS
(REDIRECTED FROM WITNESS KAY)**

Tr. 17/6721-22. A request was made to reconcile the FY 1998 total advertising costs shown in Base Year Cost Segments and Components (\$300.8 million) and the corresponding amount shown on page 5 of USPS-LR-I-150, as revised on March 13, 2000 (\$291.3 million).

RESPONSE:

Although the total shown at the bottom of the FY98 Cost column on page 5 of LR-I-150 is \$291,254,908, that total includes an amount of \$22,612,436 for International Mail. As discussed in the footnote at the bottom of page 5, the actual amount of advertising costs for International Mail reflected in the FY 1998 CRA (and the Base Year) is \$26.923 million. If that amount (\$26.923 million) were substituted for the \$22,612,436 figure in the FY98 Cost column, the column total would increase by the difference between the two figures (\$4.311 million) to \$295.566 million.

Therefore, \$300.8 million represents the total accrued costs for Advertising, and, of that amount, \$295.6 million has been traced back to the line items shown on page 5 of LR-I-150. No information is available on the remaining accrued costs.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO ORAL QUESTION OF COMMISSIONER OMAS
(REDIRECTED FROM WITNESS KAY)**

Tr. 17/6723. A request was made to describe examples of advertising efforts reflected in the line items on page 5 of LR-I-150 (as revised on 3/13/00) of Corporate Brand, Sponsors, Industry Management, Specialty Markets, Retail Channel, and Correspondence and Transactions.

RESPONSE:

Corporate Brand represents the integration of brand messaging into all Postal Service advertising. For example, the "Fly Like an Eagle" tagline is featured along with the Postal Service logo in all broadcast and print advertisements, direct mail, sales materials and in store messages. It also includes general market offers featuring a multitude of products and services under an umbrella services solution.

Sponsorships include a wide range of efforts from endorsement of industry events, such as the Direct Marketing Association, to support for the US Cycling Team and Tour de France winner Lance Armstrong.

Industry Management would include advertising efforts to identify interested respondents and then send those respondents a resource kit designed to show how to use mail more effectively for their specific industries (e.g., retail, banking, financial services, etc.).

Specialty Markets would include efforts to advertise postal products in non-English speaking markets.

Retail Channel would include "in-store" advertising such as that placed in postal lobbies and other retail outlets.

Correspondence and Transactions would include advertising efforts to promote the use of the mail for purposes of correspondence and transactions, such as direct

mail and print ads targeted at decisionmakers in industries that are intensive users of the mail for correspondence and transactions with their customers, to allow them to better understand how to use mail as a strategic tool in obtaining and retaining customers.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAYMAN
TO QUESTIONS POSED DURING ORAL CROSS-EXAMINATION

21053

In reference to the "new product called e-BillPay" [TR. Volume 2/564]:

- (1) "And I think we need to have information from the Postal Service on what the volumes, costs, and revenues are." Tr. 2/571.
- (2) "I would be inclined to ask the Postal Service to provide the information for the test year" Tr. 11/4522.
- (3) "We would like to have the Postal Service provide us with any additional information [related to the price sensitivity that may exist between the mail and electronic bill payments] that has not already been provided on this record that they may have, that it may have, whether it is something that has been developed within the Postal Service or materials that they may have obtained in connection with their eBillPaying activities from other sources including their partners in this endeavor made available to the Commission." Tr. 12/4921.

RESPONSE:

(1) & (2) Shown below are the Postal Service's projections of the Test Year 2001 volumes, revenues, and costs for the new eBillPay service. To avoid confusion, it should be noted that the "\$400 million in profit" mentioned at Tr. 2/566 is the total revenue for the entire suite of ePayment services (both consumer and business) in Fiscal Year 2004.

Volume	20.6 million consumer transactions
Revenue	\$15.1 million
Costs	\$28.6 million

Please note 55% of the consumer transactions result in a First-Class single-piece mail payment rather than an electronic payment.

(3) Please see the Postal Service's response to the question posed at Tr. 12/4951, filed on May 3, 2000. Also, please note that the First-Class single piece volume forecast for the Test Year reflects the overall degree of electronic diversion expected in that year because it incorporates the historical trend in volume.

RESPONSE OF U.S. POSTAL SERVICE TO QUESTIONS POSED
DURING THE ORAL TESTIMONY OF USPS WITNESS FRONK

21054

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.

RESPONSE OF U.S. POSTAL SERVICE TO QUESTIONS POSED
DURING THE ORAL TESTIMONY OF USPS WITNESS FRONK

21055

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

RESPONSE OF U.S. POSTAL SERVICE TO QUESTIONS POSED
DURING THE ORAL TESTIMONY OF USPS WITNESS FRONK

21056

		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	<p>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.</p> <p>Route time: Total CRA volume variable cost is distributed to shape and type using ODIS volume shares.</p> <p>Access time: Total CRA volume variable cost is distributed to shape and type using ODIS volume shares.</p> <p>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.</p> <p>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</p> <p>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).</p>
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.

RESPONSE OF U.S. POSTAL SERVICE TO QUESTIONS POSED
DURING THE ORAL TESTIMONY OF USPS WITNESS FRONK

21057

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	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>
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.

RESPONSE OF U.S. POSTAL SERVICE TO QUESTIONS POSED
DURING THE ORAL TESTIMONY OF USPS WITNESS FRONK

21058

Tr. 12/4951. [By Chairman Gleiman] I'm willing to direct the Postal Service to see if they have any information on single-piece usage and its sensitivity to price.

RESPONSE: The testimony of witness Thress (USPS-T-7 at pages 21-23) includes a discussion of the price elasticity of single-piece letters. Using a model which includes worksharing discounts, the own-price elasticity of single-piece First-Class letters is equal to -0.262 . Price elasticities have not been separately measured for components of the single-piece mail stream, for example, remittances.

The rebuttal testimony of Postal Service witness Ellard in Docket No. R97-1 (USPS-RT-14) explained market research which evaluated a proposed two-stamp system for First-Class single-piece letters. Under the evaluated proposal, the basic rate for a First-Class letter would remain the same, but a lower rate (3 cents lower) would be available for payments mailed in return envelopes that met certain addressing requirements. The research concluded that the public did not find the proposed two-stamp system attractive. Also, market research conducted by the Postal Service on Prepaid Reply Mail in Docket No. R97-1 (USPS-LR-H-242) included some qualitative discussion of price. Focus group participants indicated that the price levels tested (32, 29, and 27 cents) did not affect the potential use of the proposed product.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO QUESTIONS
RAISED AT HEARINGS AUGUST 3, 2000

QUESTION: Tr.35/16382. "In Cost Segment 14.1 of the Postal Service version of the updated roll forward calculations, there is a separate line for Total Day Net Costs. Are these costs the costs incurred for using the Eagle Network to transport Priority and First-Class during the day?...Also in Segment 14.1, the Eagle Air Network costs increased 42 percent compared to the 1998 costs -- that is, \$252 million in '99 versus \$177 million '98. Can you explain what occurred between FY '98 and '99 to cause this increase?"

RESPONSE:

The separate line for Total Day Net Costs (\$171,664 thousand) represents the total of accounts 53521, 53523, 53525, 53527, 53529, and 53529. These accounts were established in FY 1998 to accrue the costs of dedicated air transportation operating during the daytime. In FY 1998, these accounts, totaling \$32,260 thousand were included in the passenger air cost pool. (See witness Meehan's Cost Segment 14 B Workpaper, Inputs - Costs). Virtually all of these costs were incurred in PQ 4 because the non-Eagle daytime air operations became fully implemented in July 1998.

In addition to these costs, certain costs associated with Eagle planes used during the daytime were also identified. (See testimony of witness Pickett (USPS-T-19, at 4 to 5 and USPS-LR-I-57). These costs amounted to an additional \$14,869 thousand as shown in the B Workpapers, WS 14.2. In total, B Workpaper 14.3 shows that day time dedicated air costs¹ included \$47,128 thousand (the sum of these two numbers adjusted slightly for rounding).

In FY 1999, the total accrued costs for the daytime accounts (53521 through 53531) were \$171,664 thousand. (See Cost Segment B Workpaper, Inputs - Costs). This total seems reasonable given the fact that daytime air

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO QUESTIONS
RAISED AT HEARINGS AUGUST 3, 2000

operations were in effect year round. The Eagle accounts (53541, 53543 and 53547) increased from \$174,930 thousand in FY 1998 to \$251,963 thousand in FY 1999, a 42 percent increase.

The \$251,963 total, however, includes \$9,319 in Eagle turn costs, \$53,277 in other costs associated with non-Eagle flights that erroneously were charged to the three Eagle accounts, and \$2,246 in charges incurred as part of HASP terminal operations charged to the TNET contract under account 53543. (See Workpaper 14 B, WS 14.2 Adjustments). These costs are removed from the Eagle cost pool in Workpaper 14 B, WS 14.3. This brings the total cost of Eagle down to \$192,079 thousand. This figure is only 14.7 percent above FY 1998. (Compare Workpaper 14 B, WS 14.3 for 1998 and 1999.) The increase is largely the result of inflation, incidental expenses (such as aircraft repositioning costs due to weather), and the addition of an Eagle flight connecting Salt Lake City and Portland to the Eagle hub.

In FY 1999, the costs associated with the daytime operations from the six daytime air accounts and the re-allocated Eagle costs described above were assigned to a new cost pool called DAYNET and HASP. This cost pool also included an estimate of the cost of using WNET planes (under the new August 1999 contract) during the daytime. This estimate, \$2,645 thousand (see 1999 Workpaper 14 B, WS 14.2 Adjustments), was subtracted from the WNET accounts 53545 and 53546.

¹ Total actual total costs include a day net share of excise tax costs, which were not separately identified in the model. These costs are assigned to cost pools on the basis of linehaul costs incurred.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO QUESTIONS
RAISED AT HEARINGS AUGUST 3, 2000

In summary, the DAYNET and HASP cost pool includes five sets of costs:

- (1) costs from accounts 53521 through 53531,
- (2) costs of Eagle planes turned during the daytime from 53541, 53543, and 53547,
- (3) costs of non-Eagle daytime flights erroneously assigned to accounts 53541, 53543, and 53547,
- (4) HASP terminal handling costs from 53543, and
- (5) the cost of WNET "turns" from 53545 and 53546.

The total amount of expense in FY 1999 in the DAYNET and HASP cost pool was \$248,621 thousand.

DAYNET and HASP operations are not designed to service mail with an overnight commitment (see USPS-T-19, at 4). Rather than rely on the Passenger Air TRACS distribution keys, the Postal Service developed quarterly distribution keys using its Commission-approved CNET methodology (see USPS-T-19, at 3). Using data from the ACDACS system, the Postal Service developed estimates of the pound-miles of mail by ACT tag moving on non-CNET dedicated air flights during the daytime. Next, the Postal Service weighted Passenger Air and Eagle TRACS distribution keys at the ACT tag level by these pound-mile estimates to obtain a distribution key for DAYNET and HASP costs. These keys distribute \$145,661 thousand (58.6 percent) to First-Class Mail and \$74,436 thousand (29.9 percent) to Priority Mail. The remaining \$28,521 thousand are distributed to other classes of mail including \$16,675 thousand to international mail (see 1999 Workpaper 14 B, WS 14.4).

**RESPONSE OF UNITED STATES POSTAL SERVICE
TO QUESTION POSED AT HEARINGS ON AUGUST 30, 2000**

CHAIRMAN GLEIMAN: ...We did indeed get a response ...that we get accounting period reports and, in effect, the accounting period reports are the operating budget.

[W]hat I would like to know is whether the Postal Service can provide us with an actual copy of a piece of paper that went to the Governors that had the accounting period reports with a whole bunch of blanks, except for the top line, which ...I can back in to what the budget is because it says actual and variance of the budget. And I guess if I know the actual and I know the actual and I know the variance of the budget, having taken a basic arithmetic course, I can figure out what the budget was.

But I am just kind of curious as to what it is that goes in that book to the Governors. ...

But, you know, perhaps just to satisfy my curiosity, if somebody at the Postal Service can find an actual document that represents what it was in the accounting period reports that actually went to the Governors and that they approved, not for next year, because they haven't done that yet, but for the current year, ...it would just make my life a lot easier. ... I would[n't] have to go through all those arithmetic calculations to figure out what the budget actually was. I mean inquiring minds want to know. Do the Governors really get a detailed budget that has a whole lot of blank spots in there ... that then get filled in and become accounting period reports?

... I don't want it to say what goes to the Governors. I want to see what goes to the Governors. There is a difference. I am a touchy-feely kind of person, I want a piece of paper, not an explanation of a piece of paper that exists somewhere else.

And I don't want any predecisional documents at this point. I just want to see, ... a decisional document, ... what they made the decision on for the current year. ...

Tr. 38/17176-78.

RESPONSE:

The Governors do not "get a detailed budget that has a whole lot of blank spots in there ... that then get filled in and become accounting period reports." The Postal Service explained this in the earlier response referred to by the Chairman:

When the Postal Service's Board of Governors approves the Postal Service's budget, what it specifically approves is a net income goal and a set of planning parameters that support that net income goal. The Board is not supplied with and does not vote on detailed operating plans. Detailed operating plans have typically not been completed at the time the Board votes on the budget.

- 2 -

(Response of United States Postal Service to Question Raised at Hearings on August 3, 2000, filed August 15, 2000)

"What actually went to the Governors" is a document called the "Integrated Financial Plan." A copy of the Integrated Financial Plan for FY 2000 is being filed as USPS-LR-I-489.

In addition, the Board was given a presentation at the time it was asked to approve the Integrated Financial Plan. A printout of the slides used in the presentation is also included in that library reference

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

RECEIVED

JUL 14 4 30 PM '00

POSTAL RATE
OFFICE OF THE CLERK

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

RESPONSE OF UNITED STATES POSTAL SERVICE
TO COMMISSIONER GOLDWAY'S REQUEST AT HEARINGS
FOR REVIEW OF STATEMENTS OF OCA WITNESS BURNS

At hearings on July 6, Commissioner Goldway and OCA witness Burns had an exchange regarding the Postal Service's handling of the costs of disasters and accidents. Tr. 22/9789-91 Commissioner Goldway requested that the Postal Service review the exchange for accuracy. Tr. 22/9891. The Chairman asked the Postal Service to do so by today. Tr. 22/9791-92.

The exchange at Tr. 22/9789-91 is substantially accurate. The Postal Service budgets line item amounts for items such as vehicle and building repairs and alterations, as well as tort claims. There is, however, no provision in the budget or rate case projections for natural disasters such as a Hurricane Andrew, a regional flood, or a major West Coast earthquake.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
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July 14, 2000

**RESPONSE OF UNITED STATES POSTAL SERVICE TO QUESTIONS
RAISED AT HEARINGS ON AUGUST 3, 2000**

QUESTION: CHAIRMAN GLEIMAN: "Could you please provide a . . . list of all the instances where cost avoidance models are not structured to use FY '99 data and in each of these instances would you explain how the models would need to be altered to allow them to use FY '99 data. . . ." Tr. 35/16793.

RESPONSE:

The various models are listed in conjunction with the relevant testimonies.

USPS-T-26

Parcel Post Mail processing model

The model was designed specifically for BY98, and with test year costs that had not yet been adjusted for the existence of the new rate categories. Therefore, this model cannot be updated by simply inputting FY99 numbers. The model would have to be revised to include DSCF and DDU mail processing models in the weighted average modeled cost. In addition, the weights of each modeled cost would need to be altered; this includes a non-zero weight for all oversize models.

Parcel Post Transportation model

The model was designed specifically for BY98, and with test year costs that had not yet been adjusted for the existence of the new rate categories. Therefore, this model cannot be updated by simply inputting FY1999 data. Currently, the model takes total transportation costs and allocates them to three rate categories: inter-BMC, intra-BMC and DBMC. This is consistent with the roll-forward filed with USPS-T-14 in that the cost numbers used in the Parcel

Post model have not yet been adjusted for the existence of the new rate categories. This does not hold true for the BY 1999 rollforward filed with USPS-ST-44. Therefore, the model would need to be modified to allocate costs to Inter-BMC, Intra-BMC, DBMC, DSCF and DDU. This would include estimating the number of legs each travels and the estimated total cubic feet of each. Also, there would be a need to estimate the volume of OBMC and recalculate the number of Inter-BMC intermediate and local legs.

Bulk Parcel Return Service cost study

This study incorporates the use of several models that would need some modifications. Each will be discussed separately.

- **Collection costs**

Standard A single-piece is used as a proxy. Since this was eliminated in January, 1999, it cannot be updated with FY99 numbers. Either the estimated cost could be multiplied a wage-rate ratio or a new proxy would have to be chosen.

- **Transportation Costs**

These costs are products of the Parcel Post transportation cost model. Since that cannot be updated by simply incorporating new inputs, neither could the BPRS transportation model.

- **Delivery**

These costs rely on Parcel Post transportation costs (local costs only). Since that model cannot be updated by simply incorporating new inputs, neither could the BPRS delivery costs.

USPS-T-27**Standard Mail (A) dropship, transportation**

A transportation adjustment is required and it is unclear whether there would be difficulties making this adjustment with FY 1999 data.

Standard Mail (A) nonletter cost differences

The changes in the auto flat definition in FY 1999 would make the costs and volumes used in the model potentially inconsistent. Some adjustment might have to be made.

Bound Printed Matter Dropship Transportation and Non-Transportation Cost Studies

Updating with FY 1999 date would require alterations to the entry flow model.

USPS-T-29**Stamped envelopes**

These costs rely on the Parcel Post Mail Processing and the Parcel Post Transportation models. Since those models cannot be updated by simply incorporation new inputs, neither could this one.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
PRESIDING OFFICER'S RULING NO. R2000-1/116**

Q. Provide updates of library references LR-I-137, LR-I-146, LR-I-147, LR-I-160, and LR-I-162.

RESPONSE:

The Postal Service is providing the following library references in response to this Order:

LR-I-462	updates	LR-I-83
LR-I-463	updates	LR-I-77
LR-I-464	updates	LR-I-81
LR-I-465	updates	LR-I-136
LR-I-466	updates	LR-I-137
LR-I-467	updates	LR-I-162
LR-I-468	updates	LR-I-147
LR-I-471	updates	LR-I-160 (Section B and L)
LR-I-472	updates	LR-I-146

As may be observed from the list, material in addition to that specified had to be updated in order to provide inputs for the requested updates. As described below, not all of the inputs are yet available to complete all of the updates. Therefore, some of this material (i.e., LR-I-467 and 468) will still need to be supplemented.

More importantly, the Postal Service has serious concerns about some apparently anomalous results shown in the mail processing unit cost materials. These relate directly to the questions raised by Commissioner LeBlanc at the August 3rd hearings (Tr. 35/16801-10). In its written response to his questions, filed on August

14th, the Postal Service noted a change in the IOCS method used to determine Automation and Nonautomation costs for FY 1999. The effects of that methodological change seem to be substantial on some of the cost models. The Postal Service is exploring whether it is possible to redo these analyses using an IOCS methodology consistent with the FY 1998 approach. Ideally, we will be able to report on the results of that exercise by late next week.

With respect to the results which are being filed today in LR-I-467, 468, 471, and 472, the Postal Service would consider these in many respects to reflect the perils of an updating exercise conducted under a compressed time schedule, with insufficient opportunity to review and evaluate the output. These results are provided to comply with the Presiding Officer's Ruling and to try to keep the flow of information as nearly on schedule as possible. Overall, however, this portion of the update exercise merely underscores the Postal Service's position that the focus of the case should remain on the FY1998-based data provided with the filing.

USPS-LR-I-467 and 468

The cost studies for First-Class letters/cards, First-Class Nonstandard Surcharge, Standard Mail (A) Regular letters, and Standard Mail (A) Non Profit letters have been updated. These studies use Test Year data that have been developed from Base Year 1999 data under the Postal Service's volume variability methodology. The following data inputs have been changed: wage rates, premium pay factors, Remote Computer Read (RCR) unit costs, piggyback factors, and Test Year mail processing unit costs. Delivery unit costs are in the process of being updated and could not be completed in time for filing today. It is anticipated that the delivery worksharing related

cost update will be completed and filed as early as Monday, August 21st.

USPS-LR-I-471 and 472

The aforementioned delivery worksharing cost avoidance update has no impact on USPS-LR-I-471 or I-472. To expedite production of the updates which appear to be at the center of the discovery request which resulted in POR 116, the update to USPS-LR-I-160 filed today (USPS-LR-I-471) has been limited to Sections B and L of LR-I-160, which pertain to BRM and QBRM. Thus, it does not address the other Special Services for which costs were originally developed in LR-I-160.

**SUPPLEMENTAL RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO PRESIDING OFFICER'S RULING NO. R2000-1/116**

Q. Provide updates of library references LR-I-137, LR-I-146, LR-I-147, LR-I-160, and LR-I-162.

RESPONSE:

On August 18, 2000, in its original response to this Ruling, the Postal Service stated that it was providing the following library references in response to this Order:

LR-I-462	updates	LR-I-83
LR-I-463	updates	LR-I-77
LR-I-464	updates	LR-I-81
LR-I-465	updates	LR-I-136
LR-I-466	updates	LR-I-137
LR-I-467	updates	LR-I-162
LR-I-468	updates	LR-I-147
LR-I-471	updates	LR-I-160 (Section B and L)
LR-I-472	updates	LR-I-146

Further material was filed as a supplement to LR-I-467 and 468 on August 21, 2000, relating to delivery costs and completing those versions of the requested material.

The Postal Service's original August 18th response also included the following discussion:

More importantly, the Postal Service has serious concerns about some apparently anomalous results shown in the mail processing unit cost materials. These relate directly to the questions raised by Commissioner LeBlanc at the August 3rd hearings (Tr. 35/16801-10). In its written response to his questions, filed on August 14th, the Postal Service noted a change in the IOCS method used to determine Automation and Nonautomation costs for FY 1999. The effects of that methodological change seem to be substantial on some of the cost models. The Postal

Service is exploring whether it is possible to redo these analyses using an IOCS methodology consistent with the FY 1998 approach. Ideally, we will be able to report on the results of that exercise by late next week.

The Postal Service has endeavored to recast the FY 1999 IOCS data using the approach previously used in FY 1998. The results of that exercise on the mail processing unit costs models will be seen in USPS-LR-I-477 (Postal Service version, corresponding to LR-I-162 and 467) and USPS-LR-I-478 (PRC version, corresponding to LR-I-147 and 468). (Also filed will be LR-I-479 and 480, Postal Service and PRC versions of BRM and QBRM cost avoidances, corresponding to LR-I-160 and 471, and LR-I-146 and 472, respectively. Additionally, mail processing unit costs by shape -- LR-I-81 and 464 in the Postal Service version, and LR-I-137 and 466 in the PRC version -- will be updated as LR-I-481, USPS, and 482, PRC.)

Examination of these materials reveals that the most noticeable shifts in FY 1999 results relative to FY 1998, which were hypothesized in the earlier response to be the effects of the IOCS methodological change, in fact appear to be absent (in both the Postal Service and PRC versions) when the FY 1998 IOCS methodology is applied to the FY 1999 analysis. The Postal Service's consistent position has been and remains that the most appropriate data for use in this proceeding are the FY 1998 data upon which the Postal Service's proposals were based. If forced to rely on FY 1999 data and to choose between the cost avoidances shown in LR-I-467 and those shown in LR-I-477, however, it would appear that the data in LR-I-477 (i.e., those developed under the FY 1998 IOCS method) are more appropriate for rate design purposes.

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

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POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

STATUS REPORT OF UNITED STATES POSTAL SERVICE CONCERNING
REQUESTS MADE AT AUGUST 3, 2000 HEARING AND REQUEST FOR
CLARIFICATION
(August 10, 2000)

The United States Postal Service hereby reports on the status of its responses to various requests made by the parties and the Commission at the August 3, 2000 hearings. Responses to a number of the requests have already been filed. They are:

- Revisions to witness Patelunas's responses to MMA/USPS-ST44-4 and 5, requested by MMA. Tr. 35/16744-45 and 16749.
- Information concerning medical expenses related to changes in the life tables used requested by OCA. Tr. 35/16779.
- Information concerning the ECI assumptions used in the update requested by OCA. Tr. 35/16786-87.
- The PRC version of the FY 1999 "B" Workpapers requested by the Commission. Tr. 35/16830.
- The FY 1999 City Carrier "Z" file requested by the Commission. See Tr. 35/16830.
- Information concerning Daynet cost treatment in Cost Segment 14 requested by the Commission. Tr. 35/16832.
- Information concerning increases in Cost Segment 3 costs for Special Standard mail requested by the Commission. Tr. 35/16833.

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Responses to several additional requests are being filed today. They are:

- A list of cost avoidance models not structured to use FY 1999 data requested by the Commission and explanations concerning the changes required. Tr. 35/16793.
- An update to USPS-LR-I-335 concerning rural carrier costs calculated with annual data requested by the Commission. Tr. 35/16831.

Remaining items and currently anticipated completion dates are as follows:

- Space category breakouts for USPS-LR-I-410 requested by OCA. Tr. 35/16782-83. This information should be available by early next week.
 - Spreadsheets showing field reserve allocations requested by the Commission. Tr. 35/16791-92. This information should be available by early next week.
 - Information concerning cost differences in nonautomation presort and non-presorted mail. Tr. 35/16803-05. This information should be available by early next week.
 - Information concerning changes in Emery contract costs and configuration requested by the Commission. Tr. 35/16808-09. This information should be available by early next week.
 - Updates to Parts IV through VIII of USPS-LR-I-106, 138 and 188 requested by the Commission. Tr. 35/16830. Updates to Parts IV through VII of USPS-LR-I-106 should be available by early next week. Parts IV through VII of USPS-LR-I-138 and 188 should follow sometime the week of August 21. Updates to Part VIII of USPS-LR-I-106, 138 and 188 should be available sometime the week of August 28.
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- 3 -

- Operating budgets for FY 1999, 2000 and 2001 (when available) requested by the Commission. Tr. 35/16813 and 16856-66. Information concerning this request should be available by early next week.

With regard to the Commission's request to update USPS-LR-I-16 and 17, the Postal Service requests clarification. Tr. 35/16830. The issue of updates to city and rural carrier "Z" files arose at the technical conference on July 26, 2000. The Postal Service has produced the city carrier "Z" file and is working on the rural carrier "Z" file, which probably will be ready around August 21. The Postal Service had understood that production of the "Z" files was all that was being requested. If an update to USPS-LR-I-16 and 17 beyond that is being requested, it will take longer due to the fact that the person able to develop these files and library references is also working on data review for the FY 2000 CRA and ICRA, as well as selecting samples for PQ 1, FY 2001. It is anticipated that a full update for USPS-LR-I-16 could be completed by about September 1, and a full update for USPS-LR-I-17 could be completed by about October 2. The Postal Service thus requests the Commission to clarify whether these full updates are required or whether production of the city and rural carrier "Z" files will suffice.

Further status reports will be forthcoming should there be delays in any of the currently anticipated completion dates.

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WASHINGTON, D.C. 20268-0001

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POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

NOTICE OF UNITED STATES POSTAL SERVICE
OF FILING OF LIBRARY REFERENCES USPS-LR-I-328, 329

The United States Postal Service hereby gives notice that it is filing today the following library references:

USPS-LR-I-328 Carrier Activity Reports Provided in Response to
Interrogatory MPA/USPS-12

USPS-LR-I-329 Satchel Weights Provided Provided In Response to
Interrogatory ADVO/USPS-4

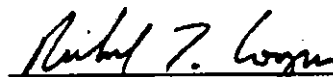
Copies are also on file with the Postal Service library. These are category 3 and 4 library references. LR-I-328 contains ES carrier activity reports sought in interrogatory MPA/USPS-12. LR-I-329 contains a spreadsheet containing satchel weights provided in response to interrogatory ADVO/USPS-4.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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May 5, 2000

