

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

RECEIVED
Oct 25 4 46 PM '01
POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2001

Docket No. R2001-1

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-58-60 (d), (f-l), 61-63)

The United States Postal Service hereby provides its responses to the following interrogatories of Office of the Consumer Advocate: OCA/USPS-58-63, filed on October 11, 2001.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking

Joseph K. Moore (per KUH)
Joseph K. Moore

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-3078 Fax -5402
October 25, 2001

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

OCA/USPS-58. In July, 1980, the Postal Service prepared the "Nonhousehold Mailstream Study." Has the Postal Service updated this study? If so, please provide a copy of the updated study. If not, please explain why an updated study has not been conducted.

RESPONSE:

No. Please see the response filed to a very similar question (OCA/USPS-38) in the last case (Docket No. R2000-1, Tr. 21/9048).

**RESPONSE OF UNITED STATES POSTAL SERVICE
TO OCA INTERROGATORIES**

OCA/USPS-59. Please provide the following data in a format that is amenable to importing into an EXCEL spreadsheet. For each FY 2000 and FY 2001 quarter and for each Postal Service area, please provide the actual on-time delivery record by weight increment for Priority Mail.

RESPONSE:

The requested data are not available.

**RESPONSE OF UNITED STATES POSTAL SERVICE
TO OCA INTERROGATORIES**

OCA/USPS-60. The following refers to an article, "Special delivery?" published in Consumer Reports, December 1998. A copy of the article follows as Attachment 1.

- (a) Since December 1998, has the Postal Service performed any analyses, studies, reports or prepared any articles regarding the comparison of USPS Express Mail, Priority Mail and Parcel Post offerings with similar services offered by Federal Express and United Parcel Service? If so, please provide a copy of each. If not, please explain why the Postal Service has performed no comparisons.
- (b) The Consumer Report article indicates that the FedEx sued the Postal Service for "false advertising." Please indicate the outcome of the lawsuit.
- (c) Were/are the legal costs of defending the Postal Service's Priority Mail advertisements charged to Priority Mail? If so, please identify the account number charged and the segments and components impacted. If not, please identify where the labor and any other costs associated with the Priority Mail advertisement defense were/are expensed and explain why the costs were/are not charged to Priority Mail.
- (d) Are the legal costs of defending a given class of mail, (e.g., Express Mail and Priority Mail) expensed to the applicable class of mail? If not, please explain why they are not expensed to the class incurring the cost.
- (e) For FY 2000 and FY 2001, please provide the following information in a format amenable to importing into an EXCEL spreadsheet: (1) the number and nature of the complaint lodged with the Postal Service regarding the accuracy or truthfulness of Priority Mail advertisements; and, (2) the number and nature of the complaint lodged with the Postal Service regarding the accuracy or truthfulness of Express Mail advertisements.
- (f) In the attached article, Consumer Reports found that only about 65 percent of Express Mail overnight packages arrived on time (page 1 of the Attachment). Please provide the on-time percentage of Express Mail overnight pieces of all types for FY 1999. Please state the source for the answer and provide a copy of the source material if it is not already on file with the Commission.
- (g) Also provide the on-time percentage of Express Mail Second-Day pieces of all types for FY 1999. Please state the source for the answer and provide a copy of the source material if it is not already on file with the Commission.
- (h) According to a chart appearing at page 5 of the Attachment, the Postal Service guarantees overnight delivery to "some 130 major markets only." Please list all of the major markets for which the Postal Service provides Express Mail Overnight service.
- (i) Please list all remaining major markets for which the Postal Service offers Express Mail Second-Day service.

**RESPONSE OF UNITED STATES POSTAL SERVICE
TO OCA INTERROGATORIES**

RESPONSE:

(a)-(b) Objections filed.

(c) The Postal Service's legal costs of defending the Postal Service's Priority Mail advertisements in this instance were not tracked and/or accounted for separately from other Postal Service legal costs. These costs were included within the Postal Service's institutional costs. These costs were not "charged to Priority Mail" because, in the judgement of the Postal Service, there was no appropriate accounting or economic basis for doing so.

(d) No. In the judgement of the Postal Service, there is no appropriate accounting or economic basis for doing so.

(e) Objection filed October 22, 2001.

(f) FY 1999 Express Mail Overnight on-time percentage is 90.6. This information was derived from the Electronic Marketing Reporting System (EMRS).

(g) FY 1999 Express Mail 2-Day on-time percentage is 91.6. This information was derived from EMRS.

(h) and (i) Objection filed.

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

OCA/USPS-61.

Please refer to USPS-LR-J-58, pages 14 and 15 of 33, entitled "First-Class Single-Piece Test Year Unit Costs by Detailed (1/2 ounce) Weight Increments." For ounce increments, please describe and give examples of letter-shaped pieces in each ounce increment.

RESPONSE:

Letter-shaped pieces for ounce increments 4 to 5, 5 to 6, 6 to 7, 7 to 8, 8 to 9, 9 to 10, 10 to 11, 11 to 12, and 12 to 13+ consists of mail pieces which conform to the dimensions specified for letter-shaped mail, which weigh the appropriate weight, and which qualify for First-Class Mail single piece rates. There are no Postal Service data systems that collect information on the contents of mail pieces by ounce increment. First-Class Single Piece letter-shaped mail 4 to 13+ ounces accounts for only 0.1 percent of all single piece letter-shaped First-Class Mail, as shown in USPS-LR-J-58.

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

OCA/USPS-62. Please refer to the testimony of witness Linda A. Kingsley (USPS-T-39) at page 11, lines 14-17, concerning the percent of letter-shaped mail having 9- and 11-digit barcodes.

- a. Please show the total volume of letter-shaped mail, of which 9- and 11-digit letter-shaped mail comprised 91.1 percent in AP 12, FY 01.
- b. Please show all calculations used to derive the 91.1 percent of 9- and 11-digit letter-shaped mail, the 72 percent of letter-shaped mail with mailer applied barcodes, and the 28 percent of letter-shaped mail with Postal Service applied barcodes.
- c. Please provide the comparable percentages referred to in part b. for FY 1999, FY 2000, FY 2001, and AP 13, FY 01. Please show all calculations.
- d. Of the 8.9 percent of letter-shaped mail without barcodes in AP 12, FY 01, what percent is First-Class single-piece, First-Class presort, and Standard Mail? Please show all calculations.
- e. Please provide the comparable percentages referred to in part d. for FY 1999, FY 2000, FY 2001, and AP 13, FY 01. Please show all calculations.

Response:

- a. The total letter-shaped mail volume of which 9- and 11-digit barcodes were applied in AP 12, FY 01 was 9.6 billion pieces.
- b. The total barcoded volume (6,649,493,000-mailer applied, plus 3,007,541,000-USPS applied) divided by the total letter volume (10,603,788,000) equals 91.1 percent.
- c. Barcode percentages: FY 1999 - 87.5 (120,163,491,000/137,366,328,000)
FY 2000 - 88.9 (126,961,725,000/142,832,115,000)
FY 2001 - 90.4 (132,743,886,000/146,911,676,000)
AP 13, FY 2001 - 91.1 (9,332,513,000/10,241,403,000)
- d. The volume of letter-shaped mail without barcodes in AP 12, FY 01 is 946,754,000. First Class Mail is 59.9 percent (567,350,000/946,754,000).

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

First Class Mail data are not segregated by sub-class. Standard Mail is 40.1 percent (379,404,000/946,754,000).

- e. First-Class Mail data are not segregated by sub-class.

The volume of letter-shaped mail without barcodes in:

(i) FY 1999 is 17,202,837,000. First Class Mail is 57.1 percent (9,829,438,000/17,202,837,000). Standard Mail is 42.9 percent (7,373,399,000/17,202,837,000).

(ii) FY 2000 is 15,870,390,000. First Class Mail is 57.4 percent (9,105,107,000/15,870,390,000). Standard Mail is 42.6 percent (6,765,283,000/15,870,390,000).

(iii) FY 2001 is 14,167,790,000. First Class Mail is 59.8 percent (8,467,994,000/14,167,790,000). Standard Mail is 40.2 percent (5,699,796,000/14,167,790,000).

(iv) AP 13 FY 2001 is 908,890,000. First Class Mail is 60.1 percent (545,863,000/908,890,000). Standard Mail is 39.9 percent (363,027,000/908,890,000).

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

OCA/USPS-63. Please refer to the testimony of witness Linda A. Kingsley (USPS-T-39) at pages 9 and 10, lines 17-30, and lines 1-9, respectively.

- a. Please confirm that every letter-shaped piece that is manually processed is subject to the proposed nonmachinable surcharge. If you do not confirm, please explain.
- b. Please identify every operation (e.g., Entry Activities; Outgoing RBCS; Outgoing Primary, Carrier Delivery, etc.) where letter-shaped pieces are separated from the letter-shaped mailstream for manual processing. Please explain how the separation is made.
- c. Please provide the base year and test year volume for letter-shaped pieces separated from the letter-shaped mailstream for manual processing at every operation identified in part b.
- d. Please identify every operation (e.g., Entry Activities; Outgoing RBCS; Outgoing Primary, Carrier Delivery, etc.) where letter-shaped pieces separated from the letter-shaped mailstream for manual processing are determined to be nonmachinable and subject to the proposed nonmachinable surcharge. Please explain how the determination is to be made.
- e. Please provide the base year and test year volume for letter-shaped pieces separated from the letter-shaped mailstream for manual processing and determined to be nonmachinable at every operation identified in part d.
- f. Please confirm that every letter-shaped piece for which machinable postage has been affixed when entered with the Postal Service, but is subsequently determined during processing to be subject to the proposed nonmachinable surcharge, will be marked "Postage Due." If you do not confirm, please explain.
- g. Please confirm that the recipient of a letter-shaped piece that is determined during processing to be subject to the proposed nonmachinable surcharge will not know that the surcharge should be paid if the letter-shaped piece is not marked "Postage Due." If you do not confirm, please explain.
- h. Please confirm that the Postal Service will not be able to collect the proposed nonmachinable surcharge from the recipient of a letter-shaped piece that is determined during processing to be subject to the surcharge if the letter-shaped piece is not marked "Postage Due." If you do not

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

confirm, please explain and describe the method by which the proposed nonmachinable surcharge will be collected.

- i. Please confirm that the mailer of a letter-shaped piece that is determined during processing to be subject to the proposed nonmachinable surcharge will not be informed that the surcharge should be paid. If you do not confirm, please explain and describe the method by which the mailer will be informed.
- j. Please confirm that the Postal Service will not be able to collect the proposed nonmachinable surcharge from the mailer of a letter-shaped piece that is determined during processing to be subject to the surcharge. If you do not confirm, please explain and describe the method by which the proposed nonmachinable surcharge will be collected.

RESPONSE:

- (a) *Not confirmed.* As an example, letters with insufficient addresses or automation rate letters that are rejected on automation may, as a result, be directed to manual operations and would not be subject to the proposed nonmachinable surcharge.
- (b) Letters requiring manual processing are identified in collection mail preparation, tray breakdown, and all letter automation operations. The culling equipment in the mail prep operation sorts out manual letters based on height length, and thickness. Also, mailhandlers cull manual letters from the collection mailstream as the pieces cross culling belts. As letter trays arrive from bulk mailers or other processing facilities, mailhandlers separate full trays of manual letters from automation compatible letters. Letters also are culled out prior to induction into letter sorting equipment by the feeder, if necessary. Finally, volume can be diverted to the manual mailstream once

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

processed by the equipment but sorted to reject stackers due to lack of machinability.

- (c) Refer to USPS-T29, Attachment C, pg. 1, and Attachment F, pg. 3, for the Base Year and Test Year volumes for Nonstandard/Nonmachinable First-Class Single-Piece and Nonautomated Presorted Letters. The Base Year volumes include only the pieces assessed the Nonstandard Surcharge based on the current definition, and the Test Year After Rates volumes include an estimate of the additional pieces meeting the proposed nonmachinable definition. No data exist by operation.
- (d) Retail and Business Mail Entry Unit (BMEU) acceptance personnel will determine if letters are Nonstandard/Nonmachinable based on the nonmachinable definition specified by the Postal Service.
- (e) See response to subpart (c) above. Volumes are unavailable by operation.
- (f) – (j) Not confirmed. Pieces originally determined to be machinable at the retail window or BMEU but determined subsequently to be nonmachinable during processing, are intended to be treated similar to the existing non-standard surcharge pieces. We realize that not all pieces of non-bulk non-standard mail are currently captured as “Postage Due” either due to customer or Postal Service error. Bulk mailings are often permit imprinted and do not indicate the postage paid on the piece. Therefore, processing personnel assume the pieces have been appropriately charged at entry and will not be marked “Postage Due”.

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.

Joseph K. Moore (per ICNH)
Joseph K. Moore

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
October 25, 2001