

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2001

Docket No. R2001-1

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION
(MMA/USPS-T22-3, 4(B-D), 16(D), 17(C), 20(B-E))

The United States Postal Service hereby provides its responses to the following interrogatories of Major Mailers Association: MMA/USPS-T22-3, 4(B-D), 16(D), 17(C) and 20 (B-E), filed on October 17, 2001.

The interrogatories have been redirected from witness Miller to the Postal Service for response.

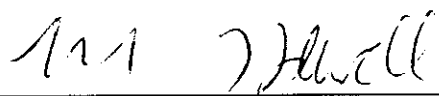
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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November 5, 2001

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION
REDIRECTED FROM WITNESS MILLER**

MMA/USPS-T22-3 On page 3 of your Direct Testimony you refer to USPS LR-J-50 as a source for wage rates. Please fill in the average clerk/mailhandler wage rates for the remaining boxes as shown in the table below. Please make corrections to the rates already provided, if necessary.

**Average Clerk / Mailhandler Wage Rates
Used And Projected By The United States Postal Service
In Docket Nos. R2000-1 And R2001-1**

DOCKET NO.	BASE YEAR	FISCAL YEAR	DATA SOURCE	AVERAGE CLERK - M/H WAGE RATE
R2000-1	1998	1998 (Actual)	USPS LR-I-127	\$ 24.88
R2000-1	1998	1999 (Projected)	USPS LR-I-127	\$ 25.90
R2000-1	1998	2000 (Projected)	USPS LR-I-127	\$ 26.95
R2000-1	1998	2001 (Projected)	USPS LR-I-127	\$ 27.97
R2000-1	1999	1999 (Actual)-Order 1294	USPS LR-I-421	\$ 25.88
R2000-1	1999	2000 (Projected)-Order 1294	USPS LR-I-421	\$ 26.99
R2000-1	1999	2001 (Projected)-Order 1294	USPS LR-I-421	\$ 28.45
R2001-1	2000	2000 (Actual)	USPS LR-J-50	\$ 27.07
R2001-1	2000	2001 (Projected)	USPS LR-J-50	\$ 28.44
R2001-1	2000	2002 (Projected)	USPS LR-J-50	\$ 29.57
R2001-1	2000	2003 (Projected)	USPS LR-J-50	\$ 30.77

RESPONSE:

In the wage rate column of the original table the term "M/H" was used, which typically denotes "mailhandlers." It is assumed that the aggregate clerk/mailhandler wage rates are what have actually been requested. Therefore, the table has been changed accordingly. In addition, these figures represent the average wage rates for all clerks and mailhandlers. The models in USPS LR-J-60 rely on de-averaged test year wage rates for "Remote Encoding Center (REC)" employees and "other mail processing" employees.

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MMA/USPS-T22-4 On page 5 of your Direct Testimony you discuss management plans to boost the percentage of letters that can be barcoded in the Remote Computer Read System (RCR) to 93.2% and reference the Decision Analysis Request ("DAR") entitled "Letter Recognition Enhancement Program" a redacted version of which has been filed as Library Reference USPS LR-J-62.

- B. Please explain the reasons why, in FY 1999, 50% of the letters could not be read and barcoded by the RCR.
- C. Please explain how the Postal Service intends to increase the percentage rate from the 69% it expects to achieve in FY 2001 to the 93.2% it expects to achieve in FY 2003.
- D. Please explain the reasons why, in FY 2003, 6.8% of the letters will not be read and barcoded by the RCR.

RESPONSE:

- (B) The Remote Computer Read (RCR) finalization rates in 1999 reflected the technology that existed at that time. In fact, system-wide deployment of the RCR systems had only been completed in July 1997. At that time, RCR could essentially only recognize and encode machine printed addresses. The encode rate for handwritten mail pieces was only 2 percent. However, soon after their deployment was completed, the Postal Service launched a series of aggressive RCR recognition improvement efforts. These efforts resulted in encode rates for handwritten mail pieces that improved to 23% by February 1998, and 53% by February 1999.
- (C) The Postal Service expects the system recognition rate to improve to 85 percent later this year. Please note that the "system recognition rate" refers to the combined Multi Line Optical Character Reader Input Sub System / Remote Computer Read (MLOCR-ISS/RCR) finalization rate and does not refer to the finalization rate of the RCR system itself. The Letter Recognition Enhancement Program (USPS LR-J-62) was approved by the Board of Governors in May and will further boost the aggregate MLOCR-ISS/RCR finalization rate to 93.2%. The supplier has an

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RESPONSE OF MMA/USPS-T22-4 (CONTINUED)

incentive, or "pay for performance" contract, wherein they will be compensated for the level of improvement actually achieved.

- (D) The Postal Service will never be able to finalize 100% of letters and cards that are processed by the MLOCR-ISS and RCR systems. A small percentage will always be unreadable. Under the Letter Recognition Enhancement Program (USPS LR-J-62), the Postal Service has targeted an aggregate finalization rate of 93.25. If the supplier were able to exceed expectations, however, the Postal Service has the funding to cover a 96.2% aggregate finalization rate. Were that scenario to occur, the percentage of mail that would not be finalized by the MLOCR-ISS/RCR system is 3.8%.

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MMA/USPS-T22-16 On page 19 you discuss two sources of mailer supplied BMM.

D. How much customer-trayed BMM is likely to be provided to the Postal Service for the test year in this case? Please support your answer.

RESPONSE:

(D) The Postal Service does not have data responsive to this request.

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MMA/USPS-T22-17 Currently there are several postal requirements that workshare mailers must meet in order to qualify for First-Class automation rates. These requirements include move update requirements, mail piece design requirements, and requirements that mailers obtain USPS approval in advance for any reply envelopes included in their outgoing mail.

- C. Please explain why each of these requirements exists and how each of these requirements saves costs for the Postal Service.

RESPONSE:

- (C) These requirements were the product of the classification changes that resulted from Docket No. MC95-1. The classification changes that were made in that docket were implemented on July 1, 1996. However, both the reply envelope and move update implementation dates were delayed to allow mailers enough time to meet the new standards.

The move update requirements were designed to ensure mailing lists are current and accurate. The initial implementation date was January 1, 1997. That date was ultimately moved back to July 1, 1997. By maintaining current mailing lists, mailers can ensure that customers receive their correspondence in a timely fashion. The move update program results in return and forwarding cost savings when compared to what those costs would have been had mailers not maintained current, accurate mailing lists. However, as the Commission stated in Docket No. R2000-1 (PRC Op. R2000-1 at [5092]):

The Commission does not agree with the MMA's claim that the savings from inclusion of automation compatible reply envelopes, compliance with Move Update programs, and avoided window service should be considered in setting worksharing discounts.

Mail piece design requirements ensure that mail pieces for each rate category are compatible with postal mail processing equipment. Although mail pieces must be designed within given parameters, the Postal Service

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RESPONSE TO MMA/USPS-T22-17 (CONTINUED)

has typically designed their equipment to accommodate a great deal of variation.

For example, barcodes can be located in the lower right hand corner of a mail piece, the address block above the address, or the address block below the address. Addresses can be located directly on the mail piece or on an insert in a window envelope. In addition, envelope windows do not have to be located in a fixed position; there is some flexibility as to the design of a given mail piece. Mail piece design requirements ensure that *a given mailing can be processed in the appropriate manner, given the rate assessed that mailing.*

As stated in the citation above, the Commission does not support the notion that automation compatible reply mail envelope requirements should be used as a basis for worksharing discounts. This requirement also arose from classification reform and had a delayed implementation date of January 1, 1997.

Mailers that distribute reply envelopes in outgoing automation mailings have both the means and incentive to barcode reply mail pieces. If a mailer can barcode the outgoing mailing, they generally would have the means to barcode the reply mail pieces contained in that mailing. Mailers also have the incentive to barcode reply mail pieces as it ensures that the reply mail pieces will receive the most efficient processing when customers submit their remittances or respond to solicitations.

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RESPONSE TO MMA/USPS-T22-17 (CONTINUED)

Any savings associated with prebarcoded reply mail pieces has decreased over time as the Postal Service has improved its ability to apply barcodes to letters and cards.

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MMA/USPS-T22-20 Please refer to Library Reference USPS LR-J-117 and page 7 of your Direct Testimony. In the library reference, USPS witness Schenk found that the unit delivery cost for an average First-Class single piece letter is 6.037 cents. You estimate the unit delivery cost for metered mail is 4.016 cents. You also note that postal technology now and in the future tends to reduce cost differences that might exist between prebarcoded, machine printed, and handwritten.

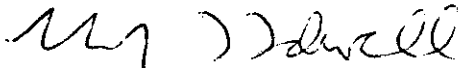
- B. What is the average weight for all single piece letter-shaped mail?
- C. What is the average weight for all metered letter-shaped mail?
- D. What percent of metered letters is not barcoded?
- E. What percent of all First-Class single piece letters is not barcoded?

RESPONSE:

- (B) 0.48 ounces.
- (C) RPW data by shape are not available by individual indicia.
- (D) 5.5%
- (E) 9.1%

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.



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