

UNITED STATES OF AMERICA
POSTAL RATE COMMISSION
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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

Postal Rate and Fee Changes

Docket No. R2001-1

PRESIDING OFFICER'S INFORMATION REQUEST NO. 4

(Issued November 6, 2001)

United States Postal Service is requested to provide the information described below to assist in developing a record for the consideration of its request. In order to facilitate inclusion of the requested material in the evidentiary record, the Postal Service is to have a witness attest to the accuracy of the answers and be prepared to explain to the extent necessary the basis for the answers at our hearings. The answers are to be provided within 10 days.

1. This question concerns Express Mail and refers to USPS-T-35.
 - (a) At page 24, witness Mayo discusses the proposal for tying the Express Mail flat rate envelope rate to the half-pound rate. Will the proposed flat rate envelope be the same size and have the same capacity as the current flat rate envelope?
 - (b) At page 25, lines 13-14, witness Mayo states, "Express Mail paid claims for merchandise in the \$0 to \$500 range averaged \$170." What percent of the claims were below \$100?
 - (c) At page 28, lines 13-15, witness Mayo states, "The Custom Designed rate differential was developed by applying a 30-cent differential to the Post Office to Post Office rate differential. The 30-cent rate differential was considered a reasonable differential." Please explain all considerations and factors that led to the conclusion that this was a 'reasonable' differential.

2. This question refers to the calculation of the avoidable costs underlying the worksharing discounts in the four subclasses of Standard Class. In previous rate cases, the Postal Service has provided separate mail processing cost model calculations for the regular and nonprofit subclasses with corresponding CRA adjustment factors. The separate costs are available for the base year in the underlying workpapers, which suggests that the mail processing models and the unit mail processing costs by shape could have been calculated separately for Regular and Nonprofit. Base year data are also available separately for Enhanced Carrier Route (ECR) and Nonprofit ECR. What is the rationale for calculating one set of worksharing costs that combine the commercial and nonprofit subclasses?
3. In USPS-T-20, at page 7, witness Spatola states, "The Postal Service can avoid [] handlings at the FedEx hub by preparing air containers that bypass the FedEx sort."
 - (a) Are the handlings referred to in this statement piece handlings?
 - (b) Do air containers that bypass the FedEx sort have D&R tags affixed to them?
 - (c) If so, will FedEx scan the tags on containers that bypass the FedEx sort?
 - (d) Please describe how containers that bypass the FedEx sort are routed to their destination.
4. Postal Service Library Reference J-137 contains Origin-Destination Information System (ODIS) reports from Quarter 4, FY 1999 through Quarter 4, FY 2001. Table 5 of these reports compares actual and standardized average days to delivery of First-Class mail by type of mail (i.e. letters, cards flats, etc.). A table footnote describes standardized average days to delivery as "the estimated time that would be required to deliver the mail if all types within a class of mail travel the same distance." The standardization is tied to Quarter 3 of FY 1969. The footnote also includes an example, noting that,

"All First-Class mail traveled an average of 258 miles in PQ 3, FY 1969; in PQ [3], FY 2001 First-Class flats actually traveled 519 miles on the average, and required 2.48 days for delivery. Had these flats traveled only 258 miles, the average days to delivery would have been reduced to 1.99 days." This result seems quite plausible since flats traveling less distance generally take less time to deliver. However, data on other types of First-Class mail do not share this same relationship. For example, for First-Class letters, Table 5 gives the following result.

First-Class Letters	Average Days to Delivery	Average Miles Traveled
Actual	1.97	100
Standardized	1.72	258

That is, average days to delivery decreases as distance traveled increases. Please explain this apparent anomaly and describe the calculations used to develop the standardized estimated days to delivery in Table 5 of the ODIS report.

5. Please describe in detail the Sales Force Augmentation Project.
 - (a) Please provide the number of vendors used during FY00 and FY01, a description of the method(s) by which payments to the vendors are determined, a copy of a typical contract, the scope of the Project and geographic coverage, benefits expected to be gained and actually achieved from the project, including savings from not using Postal Service employees, expenses incurred from the project from FY1999 on, and a description of how expenses associated with the project are attributed.
 - (b) Please provide any Office of the Inspector General audit or management reports concerning the Project submitted to the Postal Service since January 1, 1999. If such reports recommended any corrective actions, please describe what corrective actions were recommended and what corrective actions have been taken.


(c) Please identify the account number(s) in the USPS Chart of Accounts where these costs are recorded and specify the cost segment and components where the identified account numbers are located in the CRA.

6. OCA/USPS-63-c requests Base Year and Test Year volume for letter shaped mail separated for manual processing. The response, filed on October 25, provides "Base Year volumes [that] 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 nonmachineable definition." Please provide, by subclass, the volume of letter shaped mail separated for manual processing that does not satisfy these definitions. For example, First-Class letters greater than one ounce would seem to fall into this category. Also, please confirm that the requested information when added to the information provided in response to OCA/USPS-63-c provides the total volumes manually processed.
7. Please provide by subclass Base Year and Test Year volumes for flat shaped mail separated for manual processing. Please also describe the types of flat shaped mail that are separated for manual processing and the reasons for the separation.
8. USPS-LR-J-85 presents the worksharing related unit costs of First-Class ADC automation presort flats and 3-digit automation presort flats as 25.721 cents and 25.749, respectively. Intuitively, ADC presort mail would be more, not less, costly than 3-digit presort mail. Please provide any operational, methodological, data collection or other explanation for this counterintuitive result.
9. USPS LR-J-84 presents the difference in cost of machinable and nonmachinable First-Class nonautomation presort letter shape mail as 16.5 cents.

- (a) Please provide the comparable difference in cost between machinable and nonmachinable single-piece letter shaped mail.
 - (b) Please verify that the only presort pieces subject to the nonmachinable surcharge would be nonautomation presort pieces.
- 10. Refer to section 232 of the Proposed Changes to the DMCS.
 - (a) Please define the “machinability requirements specified by the Postal Service” in specific, objective terms.
 - (b) It appears that the proposed rules for applying the First-Class nonmachinable surcharge would not create a rate incentive for mailers of letters and parcels weighing more than one ounce or flat-shaped mail of any weight to design mail pieces that are machinable. Please explain the rationale for excluding these types of pieces from the incentive created by the nonmachinable surcharge.
- 11. These questions refer to Standard class.
 - (a) Are barcodes on flat-shaped mail required to be 100 percent readable by flat automation equipment to be eligible for automation rates?
 - (b) Please describe how the Postal Service determines that barcodes are readable.
 - (c) If the barcodes on flat-shaped mail are found to be unreadable during mail processing, after acceptance at the dock, does the Postal Service charge the corresponding non-automation rate? If so, how?
 - (d) What is the percentage of prebarcoded flats that cannot be processed on automated flat sorting machines because the barcodes are not readable?
 - (e) Please describe how the Postal Service processes flat-shaped mail with unreadable barcodes.
- 12. In USPS-LR-J-107, in worksheet “RR TYAR” of notebook “OC01.xls” at cell D77, the formula “SUM (D6:D74)” does not include the amount (5,468) in cell D75. This amount is labeled “WKSHRING DISCNT DADC ENTRY.”

Please explain why the sum in cell D77 does not include this amount. Similarly, in worksheet "NP TYAR" of notebook "OC01.xls" at cell D84, the formula "SUM (D6:D15) + SUM (D24:D38) +SUM (D60:D74)" does not include the amount (624) in cell D75. This amount is labeled "WKSHRING DISCNT ADC ENTRY." Please explain why the sum in cell D84 does not include this amount.

13. Table II-1 at page 25 of USPS-T-8 shows the cumulative impact of time trends on First-Class single-piece and workshared letters for the years 1987 through 2001. Please provide the estimated impact of the same time trends on First-Class single-piece and workshared letters for each of the forecast years 2002, 2003(test year) and 2004.
14. To aid understanding of network operations, please provide a description of the elements of the Postal Service network. The description should describe the facility types (for example, Processing and Distribution Centers (P&DC), Processing and Distribution Facilities (P&DF), Automated Distribution Centers (AADC), Sectional Sorting Facilities (SCF), Hub and Spoke System facilities (HASPs), Customer Service Facilities (CSF), Delivery Units (DU) and the number of each facility type in FY2000. Please include an explanation of what distinguishes the different types of facilities, such as P&DF versus a P&DC, and how they typically relate to each other in the network. In Docket No. C2001-3 the Postal Service has referred to an "Organizational Structure List" as mapping the relationships between facilities. Please make that list available as a library reference.


George A. Omas
Presiding Officer