

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

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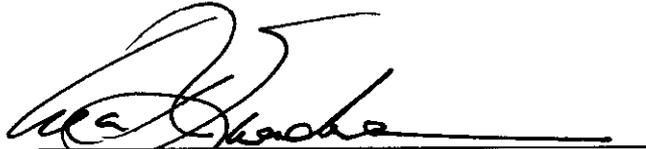
Postal Rate and Fee Changes, 2001

Docket No. R2001-1

**INTERROGATORIES OF GREETING CARD ASSOCIATION
TO UNITED STATES POSTAL SERVICE
WITNESS MAURA ROBINSON
(GCA/USPS-T29-1-26)
(November 8, 2001)**

Pursuant to Rules 25 through 28 of the Rules of Practice of the Postal Rate Commission, Greeting Card Association ("GCA") directs the following interrogatories to United States Postal Service witness Maura Robinson.

Respectfully submitted,



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GCA/USPS-T29-1. Please identify and provide the studies relied upon in the preparation of your testimony in this proceeding.

GCA/USPS-T29-2. Please identify each of the persons you conferred with in the course of being assigned to and preparing your testimony in this proceeding. For each such person, identify the subjects addressed and when you conferred.

GCA/USPS-T29-3. Trade press reports indicate that the Postal Service is planning to file a "product redesign" classification proceeding (see Attachments A, B and C).

a. Please set forth in detail your understanding of the present status of the proposed product redesign case.

b. Please set forth in detail your understanding of present plans to include in the product redesign case any proposals to create new subclasses, or adjust the definitions of existing subclasses, within First-Class Mail.

GCA/USPS-T29-4. Please refer to page 10 of your testimony. Is it your understanding that automation of mail processing is a goal in itself, or is it pursued for an overarching purpose or goal?

GCA/USPS-T29-5. Do you agree that if worksharing discounts exceed the cost savings to the Postal Service occasioned by the worksharing, then, all else equal, a reduction in Postal Service net revenues will result? If you do not agree, please explain why.

GCA/USPS-T29-6. Do you agree that, all else equal, a worksharing discount exceeding the cost savings to the Postal Service occasioned by the worksharing can

result in mailers' performing some work that would be performed at less cost by the Postal Service? If you do not agree, please explain why.

GCA/USPS-T29-7. In preparing your testimony, what was your understanding as to the respective quantified effects on volumes of (a) workshared First-Class Mail, (b) non-workshared First-Class Mail, and (c) First-Class Mail, as a whole, of setting worksharing discounts at (i) avoided cost (ii) the current discount, or (iii) the increased discount your testimony proposes?

GCA/USPS-T29-8. If called upon to quantify the volume effect of changing a First-Class letter mail worksharing discount, all else equal, would you use the Workshared Discount elasticity presented by witness Tolley (USPS-T7, table 3)?

- a. If your answer is "yes," please explain how you would use this elasticity.
- b. If your answer is "no," please explain why, and identify any other measure of change in volume with change in discount that you would use.

GCA/USPS-T29-9. Does your proposal to raise worksharing discounts above the level of avoided costs have as one of its purposes to elicit new volumes of First-Class Mail (i.e., mail that would not have been sent at all but for the fixing of worksharing discounts at the levels you propose)? If your answer is affirmative, please provide any estimates you have made or relied on of the amount of new volume that would be elicited and the revenue and net revenue associated therewith.

GCA/USPS-T29-10. Does your proposal to raise the worksharing discounts above the level of avoided costs have as one of its purposes to elicit volumes of First-Class Mail that would not have been, or would not continue to be, sent but for the

fixing of worksharing discounts at the levels you propose. If your answer is affirmative, please provide any estimates you have made or relied on of the amount of new volume that would be elicited and the revenue and net revenue associated therewith.

GCA/USPS-T29-11. Are you familiar with the concept of a "supply curve?"

GCA/USPS-T29-12. If your response to question 11 is in the affirmative, does your testimony rely upon any supply curves relating worksharing discounts to worksharing supplied? If it does, please provide those supply curves and their derivation.

GCA/USPS-T29-13. Please set forth in detail your understanding as to how the Postal Service benefits from worksharing other than by avoiding costs.

GCA/USPS-T29-14. Please refer to page 20 of your testimony, at line 12. Please explain how you quantify the "value of mailer worksharing" for purposes of recognizing it in selecting your chosen passthroughs and discounts. In responding, please specifically identify and quantify any value-creating factors other than worksharing-generated savings to the Postal Service which you took in account.

GCA/USPS-T29-15. Please refer to page 11 of your testimony.

a. Please state your understanding of the reasons for witness Miller's finding of "smaller avoided cost differences between automation tiers than the discounts resulting from Docket R2000-1."

b. Please supply citations to all portions of witness Miller's testimony on which you rely for the understanding stated in response to part a.

GCA/USPS-T29-16. All else equal, would a reduction in the cost of non-workshared letters result in smaller cost differentials between workshared and non-workshared letters? If your answer is negative, please explain why.

GCA/USPS-T29-17. Are you familiar with the concept of a "cross subsidy?" If your answer is in the affirmative, please provide your understanding of that concept.

GCA/USPS-T29-18. Please refer to page 12 of your testimony.

a. When preparing your testimony, did you consider the costs incurred by mailers to provide worksharing?

b. Did you attempt to quantify those costs and to compare them to discounts at current levels, at levels equal to avoided costs, or at your proposed levels? If so, please provide your quantification of the costs and your comparison of the costs and the respective discounts.

GCA/USPS-T29-19. With regard to implied coverage", please provide your understanding as to:

a. the Commission's prior treatment of that concept; and

b. the respective implied coverages of the various types of mail matter within First-Class Letters, i.e., letters, flats, and sealed parcels, at current rates and at your proposed rates.

GCA/USPS-T29-20. In preparing your testimony, did you give consideration to the implied coverage of single-piece First-Class Mail other than flats and sealed parcels? If you did, please explain that consideration and the results you obtained

when considering the implied coverages of such mail without the inclusion of flats and sealed parcels.

GCA/USPS-T29-21. Please refer to page 20 of your testimony, at lines 12-13. Please identify all portions of your testimony in which you considered the value of avoiding disruptive rate impacts with respect to any portion of First-Class Mail other than workshared letters.

GCA/USPS-T29-22. With reference to your table 3, please provide your understanding as to:

- a. whether discounts exceeding avoided costs are proposed for any other mail categories;
- b. how the revenue foregoing from discounts that are proposed to exceed avoided costs would be elsewhere obtained; and
- c. assuming for purposes of your answer the appropriateness of the considerations you list at page 20, line 9 through page 21, line 16, when and in what circumstances you would recommend reducing worksharing discounts to the level of avoided costs.

GCA/USPS-T29-23. Please refer to page 21 of your testimony. Please state your understanding of, and provide all studies you rely upon regarding, (i) the investments by mailers in worksharing, (ii) the way(s) in which such investment costs can be recovered, (iii) the ability of mailers to recover such investment costs in a reasonable time, and (iv) the costs mailers would avoid if they reduced worksharing efforts.

GCA/USPS-T29-24. Please refer to page 21, lines 4-5 of your testimony.

a. Is it your position that the reasoning set forth at the referenced lines is responsive to the "fairness and equity" criterion of a § 3622(b)(1) of the Postal Reorganization Act?

b. Whether or not have you answered "yes" to part a., please explain fully the criterion of "fairness" you have applied in the referenced lines.

c. Is it your understanding that at the present time worksharing mailers generally have been aware or are on notice that worksharing discounts are normally set at more than avoided cost? If your answer is negative, please explain what circumstances would have led mailers to expect discounts greater than avoided cost.

GCA/USPS-T29-25. Please refer to page 21, lines 5 – 7 of your testimony.

a. Please state as precisely as possible what, in terms of piece volume, would constitute "a large portion of the workshared First-Class Mail pieces.

b. Please identify the operational areas in which the Postal Service could experience operational difficulties upon reversion of a large portion of workshared First-Class Mail.

c. Please refer to page 23 of your testimony. What is your understanding of the implicit coverage proposed for automation flats?

GCA/USPS-T29-26. Please refer to page 25 of your testimony.

a. Please confirm that the additional-ounce cost difference to the Postal Service as between automation and non-automation mail is 0.15 cents per piece.

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b. If you so confirm, please explain to what shapes of mail (e.g., letters, flats, sealed parcels) of the 0.15 cents applies.

Attachment A: *Business Mailers Review*, September 3, 2001, page 4..

Attachment B: "Postal Service Unveils Product Redesign Timetable," *Business Mailers Review*, August 6, 2001, page 1.

Attachment C: *Business Mailers Review*, June 11, 2001, page 2.

advanced shipping notice (ASN) on all mailings bearing PLANET codes (BMR 8/20). In addition, CONFIRM users will have to print a Code 128 barcode on their postage forms. Lewis notes that third-party suppliers don't control the forms and the printing of the barcodes. Many of trackmymail.com's customers, who sometimes drop mailings as large as 200,000 pieces, fill out their forms by hand, he adds. So even something that seems minor to the Postal Service has a big effect on certain types of mailers.

The company is asking the Postal Service to make the new standard optional. Otherwise, Lewis says, it will close CONFIRM to all but the biggest mailers.

"A mindless bureaucracy is killing a very good thing," he said.

While Lewis was cautiously optimistic about Potter's comments, he said that if the USPS waits until after Oct. 1 to give smaller mailers some leeway with CONFIRM, trackmymail.com won't be in business. "We don't have the luxury of waiting around," he said.

"We have spent a lot of time and money helping the USPS advocate this program and we developed a way

that even small mailers could participate. The Postal Service is ignoring us," he said. "I've never been more disappointed in the Postal Service."

The new enhanced production system will allow the USPS to use the data it collects on mail to build a service performance measurement system for all classes of mail. This is clearly a Jack Potter priority. On Oct. 1, the USPS will "start the clock" on the service performance measurement. That's why it is requiring PLANET code users to submit an electronic file containing data on its mailing — an ASN.

Trackmymail's Lewis — who has the support of big mailers as well — doesn't understand why the new standards can't be optional. "The timetable is ridiculous. Go ahead and launch, but make it optional," he suggests.

The USPS will file a case on the CONFIRM fees with the Postal Rate Commission at some point this fall. It has floated the idea of charging a two-tiered license fee for CONFIRM. The premier level would cost you \$6,000 a year and get you one user ID and 50 million scans per year. The platinum level would cost \$15,000 a year and get you three user IDs and unlimited scans for the year.

More Briefs from GCA

The Postal Service will have its blueprint for reform options out at the end of September. PMG Jack Potter said in his keynote address to the Graphic Communications Assn. conference. The USPS will seek input from all of its stakeholders on its blueprint. Further, he said, he sees lots of opportunities for improvements outside of the legislative reform process.

On the product redesign front, Anita Bizzotto, vice president of pricing and product design, said she is bringing Alixe Johnson in to work with Don O'Hara on the product redesign effort. Johnson will coordinate the customer and outreach side of the effort, Bizzotto said. Johnson is currently on the sales staff but previously was the manager of the Chicago rates and classification service center. "You'll be hearing from her soon," Bizzotto told mailers.

"We have smaller First Class customers that are our potential growth customers. Then we have very large customers who require more and more sophisticated technology from us. We can't serve both groups from the same pile of stuff," Bizzotto told GCA during a panel discussion on product redesign. "We need to find ways to service these groups at both ends." Separate First Class subclasses are not going to be in the next rate case, she said, but the product redesign case is the place to consider them.

Certain parcel rates went up 11% to 13% in the rate adjustment on July 1, Joe Lubenow, vice president for postal affairs for Experian, said in his presentation entitled "Reflections on a Rate Case Past: R2000-1." This seemed like a mistake to shippers, and the Postal Service did issue a

correction. But the correction was only a minor adjustment and the top rates in this category were not affected. This has resulted in a very large modification for some parcel shippers, he said.

Joe Schick, director of postal affairs for Quad/Graphics, filed these questions under the "just curious" category. 1) How does the Postal Service measure capacity and what does it mean if they are at capacity? 2) What elements make up the measurement of total factor productivity and how can I equate that to the real world? 3) How do work hours equate to a reduction in overall labor costs? Hmm... maybe this is a job for a dogged trade publication.

Finally, GCA conference attendees said Potter's keynote address was the most comfortable and confident they've seen him to date. It didn't hurt that the crowd was small and friendly, but he played to his strengths by opening things up to questions and answering them directly and honestly. Now, it's off to the raucous crowd of the National Postal Forum in October where the sheer numbers make a town-hall approach somewhat difficult.

Xplor 2001, the Global Electronic Document Systems Conference and Exhibit, is scheduled for Oct. 28-Nov. 2 in Orlando, FL. This is the largest worldwide conference and exhibit focusing on all aspects of documents, from digital printing to customer relational marketing. Many long-time postal vendors are now regulars at the Xplor shows, which cater to the document industry. For more information, visit www.xplor.org.

BUSINESS MAILERS REVIEW

Monitoring the Postal Service, Private Carriers and Suppliers

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Industry Raises MERLIN Concerns with Postal Officials

Mailers are putting pressure on the Postal Service to keep MERLIN in the preliminary mode — that is, no penalties assessed — until the industry and key postal executives can resolve some of the issues that mailers have with the machine.

Mailers in Florida, where the machines are deployed, are complaining that their barcoded mailings are failing MERLIN at a rate much higher than on the automated barcode evaluator (ABE). Postal officials say MERLIN is a more refined technology and is looking at the mail with a sharper eye. But postal officials plan to study the specifications of ABE and MERLIN to see how they compare.

MERLIN, the Mail Evaluation and Lookup Instrument, is the automated acceptance and verification equipment that tests 10 aspects of a mailing, including barcode readability, postage payment and walk sequence. The USPS is in the process of deploying five machines a week in the Southeast and Southwest area through March 2002. Phase one will place 200 machines in the districts in those areas.

So far, the USPS has placed 43 machines in six Florida districts. Tampa is the only location to be fully deployed and operational.

The Postal Service will not assess postage penalties for 60 days after a machine is fully operational at a site. USPS is sending notification letters to customers just before installation of a machine.

USPS acceptance personnel will test a sample of 1,800 pieces on all mailings (letters and flats) of 10,000 pieces or more. Mailings less than 10,000 pieces will be tested once every six mailings. There is a threshold for each part of the mailing being tested, such as MERLIN

must read and verify 90% of the barcodes sampled.

Unfortunately, it's not clear how the USPS will assess penalties for failure below the threshold. It has not decided if it will charge additional postage on the difference between the failure rate and the threshold. For example, if your barcode read rate was 85%, would the USPS charge additional postage on 5%? And what rate would the mailing get bumped up to?

John Sadler, manager of business mail acceptance for the USPS, told the Mailers Technical Advisory Committee meeting that as of the week ending July 20, 29% of all mailings had barcode errors beyond the 90% threshold. Almost 8% of mailings had presort problems and less than 1% had postage-payment problems. Sadler said the Postal Service is investigating whether MERLIN approximates ABE's tolerance or whether MERLIN is more stringent.

Mailers at the meeting complained of inconsistencies on the machines and problems with the induction of mail. But mostly, mailers complained that the barcode failure rate on MERLIN is so much higher than on ABE. Joe Lubenow with Experian and MTAC industry chair, said the industry's concern is that the USPS is failing a higher number of pieces on MERLIN, but it's still running the failed mail pieces on its automation equipment anyway. "If that's the case, that's not right," Lubenow said.

Sadler said he has asked engineering for specs and intends to find a middle ground that would allow some leniency from MERLIN, yet would not cause it to pass mail that falls off automation equipment in processing.

A meeting among the technical advisory group on MERLIN is coming in the next week to work out some of these issues

Postal Service Unveils Product Redesign Timetable

For the past few months the Postal Service has been developing broad ideas on how to redefine its products to reduce costs for both itself and for mailers and to keep prices at levels that generate growth in volume.

This internal discussion is the first step in the Postal Service's product redesign effort, which everyone is taking great pains not to call Reclassification II. The next step, Don O'Hara, manager of classification and product development, told the Mailers Technical Advisory Committee meeting, is to contact customers and engage them in discussion.

"We are now ready to open up this 'develop ideas'

process to the mailers," he said.

This discussion phase will take place over the next two months, O'Hara said, and the Postal Service expects to use the MTAC work group format to help it move the process along.

O'Hara gave a breakdown of the anticipated time schedule for the product redesign effort, which the USPS expects will take three years from start to finish. (See table p. 3.) He noted that the dates are subject to change since a rate case will be falling into the mix at some point. The USPS would have to take a break from this product redesign project to analyze the rate case.

Once some ideas are fleshed out, the Postal Service will spend six or seven months refining the ideas into concrete proposals. Then it will spend another six months doing cost analysis and market research on the proposals. Finally, the USPS will prepare a filing, probably around October 2002 to February 2003, for submission to the Postal Rate Commission. From March 2003 until December 2003, the PRC would hold hearings on the proposals. The USPS would probably implement any approved

changes in May 2004.

The broad ideas that the USPS is now focusing on include:

- Replicating the letter mail success in flats.
- Reducing combined mailer/USPS costs.
- Reducing the number of mailstreams since this is one way to reduce the USPS' costs.
- Setting rates and preparation requirements to reflect customers' capabilities and the USPS' costs.

Short Takes

The Postal Service's year-end net loss is now projected at \$1.5 billion to \$2 billion, Chief Financial Officer Richard Strasser told the Mailers Technical Advisory Committee meeting last week. Through Accounting Period 11, the USPS had lost \$986 million, he said. Last year at this time the Postal Service was \$400 million in the black. The Postal Service has set the field budget for next year, Strasser said, and it is projecting a net loss below \$2 billion for the year. The organization is planning for zero volume growth in FY 2002, though he acknowledged that this is a conservative estimate. That way, if there is a favorable uptick in volume, field operations can adjust with no problems, he said. The USPS also plans to take another 13,000 work years out next year. That follows this year's reduction in work hours of 17.6 million, Strasser said. Total factor productivity growth for next is targeted at just over 1%, probably in the 1.2% to 1.6% range. The capital freeze the USPS put in place this year will continue through FY 2002, Strasser added.

The Postal Service will add two- and three-day EXFC scores back into the goals for its Economic Value Added (EVA) pay-for-performance program, Strasser told MTAC. He acknowledged that it was a mistake to take the EXFC two- and three-day scores out of EVA. Express and Priority mail service targets also will be included in the Voice of the Customer measurement. Strasser strongly defended the EVA program as an incentive tool that motivates behavior and helps managers focus on specific indicators. "This does motivate people and I'd hate to see it trashed," he said. He said the \$283 million in total EVA expense in FY 2000 made up only 4.4% of total non-bargaining compensation.

The private courier industry is cheering the European Commission recent finding that Deutsche Post had abused its dominant market position when it intercepted mail coming from other countries bound for German addresses. Although the investigation by the EC stemmed from a 1998 complaint by Royal Mail, the issue has been before the commission for a decade. Ten years ago the private courier industry (the International Express Courier Conference) made similar charges that Deutsche Post illegally intercepted remail and it took its case all the way through the European courts. Long-time observers of that case say the EC's recent decision supports the courier industry's argument that postal administrations do not have the right to intercept, hold and surcharge mail destined to their countries which originated in another country. In 1998 Royal Mail, the postal administration of the United Kingdom,

complained to the EC that Deutsche Post frequently intercepted, surcharged and delayed mail from the UK to Germany. Deutsche Post argued that mail with German reply addresses should be considered as having a German sender, regardless of where the mail was posted. The EC ruled that the mail did not have German senders because it was produced in the UK, Sweden or the Netherlands and posted to Germany via the UK. The commission fined DP only a symbolic fine of 1,000 Euros because of the legal uncertainty at the time.

The German government announced that it would propose legislation to allow for full privatization of Deutsche Post AG. Analysts expect the government to sell further shares in the post in early 2002, European media outlets reported. In November 2000 the German government floated about 30% of Deutsche Post's equity in an initial public offering. Legislation is needed to change the current law, which requires the German government to be the majority shareholder in Deutsche Post. This was done to ensure that the post provides full service to all citizens. The legislative changes would still require Deutsche Post, as the dominant player in the market, to provide nationwide mail delivery service. But the government would no longer control the company. Deutsche Post's stock has not performed well lately. The company expanded aggressively over the past few years and now is trying to improve its financial performance. Deutsche Post announced recently that it would cut 3,000 jobs by early next year.

Although the industry hasn't heard much publicly from postal officials on a phased implementation of the next rate increase, industry leaders are still pushing the idea. Ian Volner, general counsel for the Assn. for Postal Commerce, sent a letter last month to the USPS' chief ratemaking attorney, Dan Foucheaux, laying out the legal claims for phasing in the next rate increase over a few years. Volner explains that the term "phased rate implementation" is really not precise. What the industry is really talking about is the use of multiple test years with rates associated with each test year. Volner argues that there is nothing in the Postal Reorganization Act that precludes the USPS from making a multiple-test-year filing. This approach would require the Postal Rate Commission to waive its rule — not a law — that a single test-year be used. Volner notes that the industry is not asking the Board of Governors to relinquish its prerogative to determine the time of implementation of rates. Rather, the board would adopt, and publish, a resolution at the time the rate request is filed. Basically, the mailing industry is asking the Postal Service to consider new approaches to help its customers survive further rate increases. The letter is available at www.postcom.org.

• Recognizing different mailer capabilities. For example, commercial mailers include sophisticated mailers and moderate-sized mailers. Some moderate users might be perfectly content to let the USPS do more of the work, O'Hara said. For these mailers, the Postal Service might not give as many options.

On the other hand, most sophisticated mailers can do more preparation than the USPS now rewards them for, such as presort optimization, O'Hara noted. "Perhaps our deepest discounts could be ramped up," he said.

For retail customers who use the First Class stamp, the Postal Service has been studying a proposal by the Postal Rate Commission's Office of Consumer Advocate, which suggests raising the stamp price a little more, but less frequently. Effectively, the Postal Service could raise

the stamp price every other rate case. O'Hara said the USPS has no real specific plans, but is looking to see if it could do some things in this area.

MTAC leaders and postal officials planned to discuss ideas after the recent meeting. More on this effort in future issues.

Product Redesign Timeline

Date	Activity
May '01-September '01	Develop ideas
September '01-March '02	Refine into concrete proposals
March '02-September '02	Cost analysis, market research
October '02-February '03	Prepare filing
March '03-December '03	PRC hearings
May '04	Implementation

State Dept. Leads the Charge on Proposal to Reform UPU

The U.S. State Dept. led an effort among progressive postal administrations to open the Universal Postal Union's activities to private sector interests, which has resulted in the recommendation that a Consultative Committee be created.

The Consultative Committee would allow private-sector stakeholders to observe and participate in the major governing bodies of the UPU, including the important Postal Operations Council and the Council of Administration, the body that manages the UPU's affairs between congresses.

This recommendation will be presented to the UPU Council of Administration at its October 2001 meeting for endorsement and implementation.

"The conclusions were achieved by consensus, but not without considerable struggle by a few countries that continue to oppose opening up the UPU," the State Dept. said in a paper released July 17. Ambassador Michael Southwick, deputy assistant secretary in the Department of State's Bureau of International Organization Affairs, has championed the efforts to open the UPU to a broader cross-section of the mailing and shipping industries.

The announcement is a sweet victory for the private courier industry, which had pushed for greater participation and observation status at UPU meetings.

"We feel this is the right thing to do. It puts the interested parties at the table and helps to ensure that the Postal Service makes deals that benefit the American people," said Tag Segal, a spokesman for United Parcel Service.

The private courier industry in the United States has long argued that UPU members are supposed to represent their countries in setting the rules for exchanging cross-border documents and parcels. But, the couriers have complained, postal administrations often negotiate with their own interests in mind, rather than seeking what's best for citizens. In addition, private couriers have to

abide by the rules but have no input in their shape or direction.

International postal customers, equipment manufacturers and trade unions also had requested more formal participation rights at the UPU. At the most recent world congress in Beijing in 1999, attendees who were not associated with a postal administration found themselves barred from certain meetings.

The 1999 UPU Congress created the 24-member High Level Group on the Future of the Development of the UPU to discuss reform of the 189-member organization. Recommendations for reform focused on:

1. the mission of the UPU;
2. the structure and constituency, including the new Consultative Committee;
3. financing; and
4. implementation.

The HLG endorsed the status quo of continuing the UPU as an inter-governmental organization in which membership is limited to member countries and does not include private-sector agencies. "However, if the Council of Administrations approves the HLG recommendations," the State Dept.'s report says, "the UPU will be structured around three circles of member interest."

The first is government/regulators (Council of Administration). The second would be operations under the UPU agreements (Postal Operations Council). And the third would be the wider sector interests (Consultative Committee). This third committee would have two meetings a year to learn about and give advice on UPU issues. The members will have observer status at the meetings of the administration and operations councils. Membership in the Consultative Committee would be open to umbrella associations representing various stakeholders, but not to individual companies or agencies.

The HLG decided against recommending the convening of an extraordinary UPU Congress in 2002 to imple-

managing costs. Potter also will tackle reform of the laws that govern the USPS, but it wouldn't be "reform for reform's sake."

"We need a package that makes sense for the Postal Service and for all of its stakeholders," he said.

In answer to questions about what he would like to see in a reform bill before Congress, Potter was noncommittal. He said he would reach out to customers, the unions and any interested parties to develop a comprehensive reform plan. When pressed for details, Potter joked that it's been six years and two postmasters general and

nothing has moved in Congress. "Surely you can give me a couple of hours on the job," he said.

Potter promised that the USPS would continue to invest in projects that generate efficiencies or cost-savings for the organization. He singled out the flat sorting equipment as one area of investment that would continue because it is driving costs out of the system.

"We are going to target spending on areas in which we have an opportunity to gain efficiencies," he said.

However, while the USPS is in a budget crunch, some projects might not see funding right away. When

Short Takes

The product redesign effort, which most people are calling ReClass II, will get officially under way this fall. That's when the USPS anticipates it will engage customers and form advisory groups, much like it did in the first round of reclassification in the mid 1990s, said Anita Bizzotto, vice president of pricing and product design. While customers are welcome to contact Bizzotto or Don O'Hara now with ideas, the more involved customer process will begin later this year. Bizzotto told the Periodicals meeting in Chicago that the Postal Service wouldn't be able to file any type of omnibus classification case with the rate commission until after the next rate cycle winds down. Although postal officials aren't saying when they will file the next rate case, the expectation is it will happen in October or November. That means a classification case wouldn't be filed until fall of 2002. Bizzotto noted that the R2000-1 rate case and its subsequent modification have put a strain on resources in the legal, finance and marketing departments. It's not possible for the Postal Service to push forward a rate case and a classification reform case at the same time, she said.

The Postal Service's new line of addressing tools — called SnapCheck — includes its centerpiece, Delivery Point Validation (DPV). Wayne Orbke, USPS acting manager of addressing and the National Customer Support Center in Memphis, told the National Periodicals Conference in Chicago. The USPS' engineers figured out a way to condense all 147 million delivery point sequence addresses onto a single CD ROM. The DPV allows a user to confirm either "yes" or "no" whether an address — right down to the apartment or suite — is an accurate delivery point, Orbke explained. He said the USPS is working with software vendors now to see how they can incorporate the data into their products. The product is expected to be available in September or October. Orbke noted that the DPV can't correct missing or inaccurate address components. This prompted some of the mailers in attendance to suggest the USPS consider expanding the DPV to two disks and incorporating some functionality on the "no" answers. For example, the software could direct the mailer to look at the apartment number for the problem. Orbke promised to take that suggestion back with him and work on it.

Another new service coming out of Memphis is the Internet Change of Address (IOCA). Wayne Orbke said this service would allow customers who move to notify the Postal Service

of their change of address electronically. Right now, the form is available on line, but customers have to print it out and mail it in. The USPS recently concluded a three-state test of the fully electronic change of address form. It expects to launch the national service in another 90 days. Down the road, the Postal Service would like to leverage this information to notify mailers immediately of a customer's new address. The customer would authorize the Postal Service to send electronic notification to mailers. The consumer would go down a checklist of government agencies, magazines, frequent flier clubs and other regular mailers, then check off the ones he or she would like the USPS to notify of his or her new address. Orbke says this kind of service would help to drive down some of the costs of undeliverable as addressed mail, which costs the USPS about \$1 billion a year.

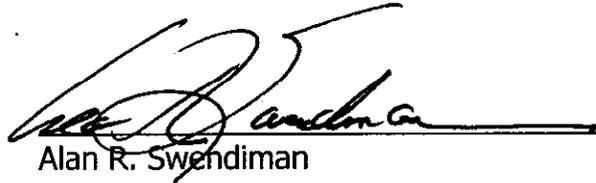
A neighbor to the north, Bruce Calvin, general manager of Postal Marketing Consulting of Ontario, Canada, offers the following ideas for the new postmaster general. Calvin is a former Canada Post officer turned newsletter journalist and critic and is now a postal consultant. He suggests the USPS at least study these ideas to determine potential savings or revenue growth opportunities. *Calvin can be reached at 905-632-5824.*

- Eliminate delivery of personal contact items, meaning anything that requires a signature, such as registered or COD mail.
 - Get rid of the nonprofit rates. Calvin questions why all mailers should foot the bill for preferred rates for anyone. Why have them at all?
 - Do a cost benefit analysis on eliminating business reply mail in favor of courtesy reply mail.
 - Eliminate Saturday delivery.
 - Give a 20% discount on delivery to post office boxes, which are cheaper to deliver to than residences.
- BMR welcomes your input. If you have suggestions or comments on any of these or previous suggestions, call us at 703-237-7962 or email to muh@erols.com.*

The Postal Service's 2000 Comprehensive Statement is now available. The Comprehensive Statement provides a recap of the Postal Service's operations and finances for the most recently completed fiscal year. It is an excellent source of information on all areas of the USPS, including mail distribution, retail programs, marketing efforts, as well as details on finances, productivity and volumes and revenue for all classes of mail. *For a copy of the Comprehensive Statement, call Jim Leonard at 202-268-7280.*

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document upon all participants of record in this proceeding in accordance with Rule 12 of the rules of practice.

A handwritten signature in black ink, appearing to read "Alan R. Swendiman", is written over a horizontal line.

Alan R. Swendiman

Counsel for
GREETING CARD ASSOCIATION