

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

RECEIVED
Aug 1 4 43 PM '97
POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

**RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS PHILIP HATFIELD
TO INTERROGATORY OF DOUGLAS CARLSON
(DFC/USPS-T32-3 REDIRECTED FROM WITNESS FRONK)**

The United States Postal Service hereby files the response of witness Hatfield to the following interrogatory of Douglas Carlson, dated July 15, 1997: DFC/USPS-T32-3. The interrogatory has been redirected from witness Fronk to witness Hatfield for response.

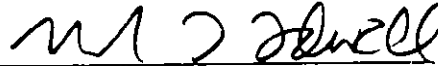
The interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



Michael T. Tidwell

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202)268-2998/FAX: -5402
August 1, 1997

RESPONSE OF U.S. POSTAL SERVICE WITNESS HATFIELD TO
INTERROGATORIES OF DOUGLAS F. CARLSON REDIRECTED FROM U.S.
POSTAL SERVICE WITNESS FRONK

DFC/USPS-T32-3.

- a. Of the types of mail described in parts (a) and (d) of DFC/USPS-T32-2, is the type described in part (a) less expensive to process than the type described in part (d)?
- b. If the answer to part (a) is yes, please quantify the cost differential.

RESPONSE:

a. All else being equal, the mail processing costs associated with the mail described in part (a) of DFC/USPS-T32-2 will be the same as or lower than the mail processing costs associated with the mail described in part (d) of DFC/USPS-T32-2. Because the type (a) mail is never sent through the RBCS, it may avoid certain mail processing costs that are incurred by the type (d) mail.

b. The cost differential is difficult to quantify for a number of reasons. First, it is unclear what type of mail is being described. Specifically, are mail types (a) and (d) from DFC/USPS-T32-2 entered as single piece First-Class Mail or as presorted First-Class Mail? Should the cost differential be calculated based on a single piece of each type of mail or should it be based on the average piece of mail fitting the description of each of the mail types? Depending on the type of mail, the mail processing costs will differ significantly. Second, in addition to the uncertainty in the mail types, there are a number of factors that may affect how the two different types of mail are handled. For example, some portion of the mail will be processed at non-automated facilities. At these facilities, the cost differential would most likely be zero. In addition, these pieces

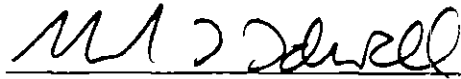
RESPONSE OF U.S. POSTAL SERVICE WITNESS HATFIELD TO
INTERROGATORIES OF DOUGLAS F. CARLSON REDIRECTED FROM U.S.
POSTAL SERVICE WITNESS FRONK

of mail may be processed across advanced facer canceller systems (AFCSs) that have been outfitted with RBCS image lift capabilities. The new processing capability of AFCSs will tend to lower the cost of processing letters whose address information cannot be read completely by an OCR (i.e., type d).

Given the fact that a detailed mail processing cost analysis of the types of mail in question has not been conducted, and that certain data regarding collection mail would be needed in order to conduct such an analysis, it is very difficult to quantify the cost differential. In addition, the current productivity used for RBCS processing represents a combination of mail that is finalized through the RCR and mail that requires keying by a Data Conversion Operator. In order to quantify the cost differential of the types of mail in question, further data regarding RBCS processing would be needed in order to differentiate the costs between mail that is finalized by the RCR and mail that requires keying by a Data Conversion Operator.

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 section 12 of the Rules of Practice.

A handwritten signature in black ink, appearing to read "Michael T. Tidwell", written over a horizontal line.

Michael T. Tidwell

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1145
August 1, 1997