

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, 1997

Docket No. R97-1

**RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS DAVID FRONK
TO INTERROGATORIES OF DOUGLAS CARLSON
(DFC/USPS-T32-1, T32-2, T32-4 THROUGH T32-7)**

The United States Postal Service hereby files the responses of witness Fronk to the following interrogatories of Douglas Carlson, dated July 15, 1997: DFC/USPS-T32-1, T32-2, and T32-4 through T32-7.

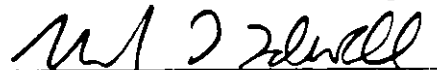
The interrogatories are stated verbatim and followed by the responses. Interrogatory DFC/USPS-T32-3 has been redirected to witness Hatfield for response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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

DFC/USPS-T32-1. In your testimony at page 37, lines 7-8, you testified, "Automation-compatible First-Class Mail is used daily by millions of individuals and small businesses." Please explain how individuals and small businesses use "Automation-compatible First-Class Mail." For example, do you mean that individuals and small businesses enjoy rate discounts for producing automation-compatible mail? Or, are you simply noting that individuals and small businesses deposit with the Postal Service mail that, intentionally or coincidentally, is compatible with automated processing?

RESPONSE:

This sentence of my testimony (lines 7-8, page 37) means that individuals and small businesses are routinely mailing letters and cards that are pre-barcoded and meet Postal Service automation standards. Some of these mail pieces are Courtesy Reply Mail and some are Business Reply Mail.

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

DFC/USPS-T32-2. For this question, the term "standard-sized" mail refers to mail that is not subject to a nonstandard surcharge under DMM Section C100.3.0.

Does the term "automation-compatible First-Class Mail" apply to:

- a. Typewritten, one-ounce, standard-sized first-class letters whose address information (1) can be read completely by an Optical Character Reader (OCR) without assistance from the Remote Bar Code System (RBCS) and (2) is sufficiently accurate and complete to allow the highest level of barcode (i.e., 5-digit, 9-digit, or delivery-point) desired for that address to be applied to the envelope?
- b. Typewritten, one-ounce, standard-sized, first-class letters whose address information (1) can be read completely by an Optical Character Reader (OCR) without assistance from the Remote Bar Code System (RBCS) but (2) is sufficiently accurate and complete to allow only a bar code that is inferior to the highest level of bar code (i.e., 9-digit, or delivery-point) desired for that address to be applied to the envelope?
- c. One-ounce, standard-sized, First-class letters whose address information (1) can be read completely by an Optical Character Reader (OCR) with assistance only from the Remote Computer Reader (RCR) portion of the Remote Bar Code System (RBCS) and (2) is sufficiently accurate and complete to allow the highest level of bar code (i.e., 5-digit, 9-digit, or delivery-point) desired for that address to be applied to the envelope?
- d. One-ounce, standard-sized, first-class letters whose address information cannot be read completely by an Optical Character Reader (OCR) and, therefore, requires assistance from a Data Conversion Operator via the Remote Bar Code System (RBCS) in order to allow the highest level of bar code (i.e., 5-digit, 9-digit, or delivery-point) desired for that address to be applied to the envelope?
- e. Machinable, non-bar-coded, single-piece, first-class flats?

RESPONSE:

(a)-(e) This question references the term "automation-compatible First-Class Mail" as it appears in the portion of my testimony proposing Prepaid Reply Mail (PRM). The PRM proposal is restricted to envelopes and cards that are pre-approved by the Postal Service. They would need to meet Postal Service

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

RESPONSE to DFC/USPS-T32-2 (continued)

automation standards and bear the recipient's preprinted machine-readable return address, a barcode representing not more than 11 digits (not including "correction" digits), a Facing Identification Mark, indicia signifying the piece is eligible for the discount, and other markings specified and approved by the Postal Service.

The Postal Service developed the proposal in this manner to help ensure operational feasibility, that is, a processing and accounting approach that is workable for both mailers and the Postal Service. By requiring this mail to be "clean" and pre-barcoded, the Postal Service can make sure it will realize the contemplated cost savings and effectively manage the introduction of this new rate category.

The types of mail postulated in question subparts (a)-(e) would not be eligible for the PRM rate category. Mail that is not pre-barcoded will not meet the requirements of the PRM proposal.

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

DFC/USPS-T32-4.

- a. In your testimony at page 37, you testified that Prepaid Reply Mail would "permit the general public to more directly share in the benefits of automation..." Since your use of the word "more" implies that you are making a comparison, please identify the other condition(s) or circumstance(s) to which you are comparing the public's improved ability to benefit from automation under the PRM proposal.
- b. Please summarize how the average individual benefits from postal automation.
- c. Does the Postal Service benefit when individuals prepare their mail so that it is automation-compatible?

RESPONSE:

(a)-(b) The average individual benefits from automation because automation reduces Postal Service costs and keeps rates lower than they might otherwise be. Because of averaging within First-Class Mail, arguably one of the benefits of the automation program is that it enables the rate for relatively high-cost mail with handwritten addresses to be much lower than it would otherwise be.

PRM can permit the general public to more directly share in the benefits of automation by recognizing cost savings associated with PRM and reducing the postage for this portion of First-Class Mail stream.

(c) Individuals do not prepare mail that is automation-compatible as the term is used in the PRM proposal, that is, pre-barcoded, etc. (Please see response to DFC/USPS-T32-2.)

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

DFC/USPS-T32-5. Please confirm that one objective of some of the recent phases of classification reform was to provide mailers with a rate-based incentive to prepare automation-compatible mail. If you do not confirm, please explain fully.

RESPONSE:

One objective of classification reform was to provide bulk mailers with pricing incentives that more fully reflected the cost savings from their preparation of mail pieces that meet Postal Service automation standards.

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

DFC/USPS-T32-6.

- a. Please confirm that one achievement of classification reform in Docket No. MC95-1 was to lower the rates for certain categories of presorted, bar-coded, automation-compatible First-Class Mail. If you do not confirm, please explain fully.
- b. Please confirm that, in some instances, the rates for certain categories of presorted, bar-coded, automation-compatible First-Class Mail were lower on July 1, 1996, the implementation date for the rates that were recommended and approved in Docket No. MC95-1, than the rates for the same type of mail that existed on January 1, 1995, the implementation date for the rates that were recommended and approved in Docket No. R94-1. If you do not confirm, please explain fully.
- c. Please confirm that, in some instances, the rates for certain categories of non-automation-compatible mail were higher on July 1, 1996, the implementation date for the rates that were recommended and approved in Docket No. MC95-1, than the rates for the same type of mail that existed on January 1, 1995, the implementation date for the rates that were recommended and approved in Docket No. R94-1. If you do not confirm, please explain fully.
- d. Please confirm that, by lowering rates for certain categories of presorted, bar-coded, automation-compatible First-Class Mail, the Postal Service expected some volume to shift from nonautomated categories to the automated categories. If you do not confirm, please explain fully.
- e. Please confirm that the Postal Service would consider the volume shift described in part (d) to be desirable. If you do not confirm, please explain fully.

RESPONSE:

(a) Confirmed. For example, the 3-digit letter rate was reduced from 26.4 cents to 25.4 cents as a result of Docket No. MC95-1. Note that mail preparation, sortation, and eligibility requirements were also changed for some categories of mail as a result of Docket No. MC95-1. For example, prior to this docket, 85 percent of 3-digit pieces had to be delivery-point barcoded; following this docket, the percentage increased to 100 percent. Also, the minimum number of pieces required to qualify for the rate was increased from 50 pieces per 3-digit area to 150 pieces.

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

RESPONSE to DFC/USPS-T32-6 (Continued)

- (b) Confirmed. See response to DFC/USPS-T32-6(a) above.
- (c) Confirmed. For example, the nonautomated presort rate (first ounce) for letters was increased from 27.4 cents to 29.5 cents, effective July 1, 1996.
- (d) Confirmed.
- (e) Confirmed.

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

DFC/USPS-T32-7. Please refer to your testimony at page 37. If the problems associated with a discounted rate such as "Courtesy Envelope Mail" or "Public's Automation Rate" did not exist or could be eliminated, would the Postal Service support one or both of these proposals? Please explain why or why not.

RESPONSE:

I am unable to respond meaningfully to this question. As I noted on page 37 of my testimony (lines 17-22), "...Prepaid Reply Mail has the advantage of not burdening and confusing the public with two different stamps for both letters and cards. The proposal also has the advantage of avoiding the serious Postal Service administrative and enforcement problems associated with what would happen if the general public were expected to use differently-rated postage stamps for its First-Class Mail correspondence and transactions."

The issue of confusing and burdening the public and the administrative and the enforcement problems associated with differently-rated postage stamps are real and are inherent in alternatives relying on different stamps. These problems cannot be assumed out of existence.

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 "M. Tidwell", written over a horizontal line.

Michael T. Tidwell

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August 1, 1997