

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 THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T32-2 - 7, 11, 17, 18, 20, 21, 27 - 30, 38 - 40, 51, 52)**

The United States Postal Service hereby files its responses to the following interrogatories of the Office of the Consumer Advocate, dated August 15, 1997: OCA/USPS-T32-2 through 7, 11, 17, 18, 20, 21, 27 through 30, 38 through 40, 51 and 52.

These interrogatories have been redirected from witness Fronk 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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RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES
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REDIRECTED FROM WITNESS FRONK

OCA/USPS-T32-2. Your testimony at 23 states,

The additional-ounce rate continues to be an important source of revenue for the Postal Service. In 1996, additional ounces generated about \$4.3 billion in revenue, or 13 percent of First-Class Mail revenue for the year.

The proposal to maintain this rate at its current level is consistent with the revenue requirement. A uniform rate of 23 cents for both nonautomated and automated mail is also consistent with the need for simplicity in rate design.

- a. Does the Postal Service have or know of an estimate of the number of households that are aware of the difference between the First-Class stamp rate and the First-Class additional-ounce rate? If so, please provide the estimate and all related source documents.
- b. If not, please explain why no estimate is available.

RESPONSE:

(a) No.

(b) The Postal Service has not had a need for such an estimate.

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OCA/USPS-T32-3. Does the Postal Service have an estimate of the number of households that are aware of the difference between the First-Class stamp rate and additional-ounce rate and maintain sets of stamps to apply postage for both rates?

- a. If so, please provide the estimate and all associated source documents.
- b. If not, please explain why no estimate is available.

RESPONSE:

(a) No.

(b) The Postal Service has not had a need for such an estimate.

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OCA/USPS-T32-4. At page 17, you note that "First-Class Mail weighing one ounce or less and exceeding standard letter-size dimensions, or not conforming to a specified range of aspect (length to width) ratios, is assessed a nonstandard surcharge." Does the Postal Service have or know of an estimate of the number of households that are aware of the difference between the First-Class stamp rate and the nonstandard surcharge?

- a. If so, please provide the estimate and all related source documents.
- b. If not, please explain why no estimate is available.

RESPONSE:

(a) No.

(b) The Postal Service has not had a need for such an estimate.

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OCA/USPS-T32-5. Does the Postal Service have an estimate of the number of households that are aware of the difference between the First-Class stamp rate and nonstandard surcharge and maintain sets of stamps to apply postage for both rates?

- a. If so, please provide the estimate and all associated source documents.
- b. If not, please explain why no estimate is available.

RESPONSE:

(a) No.

(b) The Postal Service has not had a need for such an estimate.

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OCA/USPS-T32-6. Does the Postal Service have or know of an estimate of the number of households that are aware of the difference between the First-Class stamp rate and the single-piece card rate?

- a. If so, please provide the estimate and all related source documents.
- b. If not, please explain why no estimate is available.

RESPONSE:

(a) No.

(b) The Postal Service has not had a need for such an estimate.

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OCA/USPS-T32-7. Does the Postal Service have an estimate of the number of households that are aware of the difference between the First-Class stamp rate and the single-piece card rate and maintain sets of stamps to apply postage for both rates?

- a. If so, please provide the estimate and all associated source documents.
- b. If not, please explain why no estimate is available.

RESPONSE:

(a) No.

(b) The Postal Service has not had a need for such an estimate.

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OCA/USPS-T32-11. Please describe all situations not mentioned above where a household may enter mail into the mailstream in which there is no intervention by Postal Service personnel prior to entry of the mail, or purchase of the product or service.

RESPONSE: The situations are as follows: (1) Single-piece First-Class Mail, which would include nonstandard pieces and metered mail to the extent households have meters or household mailers have access to meters, and; (2) Priority Mail, Express Mail, and Parcel Post, to the extent the customer is able to independently determine the weight and postage of the piece and to the extent the piece does not need to be presented to a postal clerk due to the piece's size or weight.

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OCA/USPS-T32-17. Does the Postal Service have or know of an estimate of the average level of education held by the those households that maintain separate sets of First-Class stamps for the first ounce rate, on the one hand, and, on the other, the additional ounce rate, the single-piece card rate, and the nonstandard surcharge rate?

- a. If so, please provide the estimate and all associated source documents.
- b. If not, please explain why no estimate is available.

RESPONSE:

(a) No.

(b) The Postal Service has not had a need for such data.

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OCA/USPS-T32-18. Your testimony at 6 states: "In comparison to other alternatives, *Prepaid Reply Mail* has the advantage of avoiding administrative and enforcement problems associated with what would happen if the general public were expected to use differently-rated stamps for its First-Class Mail correspondence and transactions." A footnote refers to the Decision of the Governors of the United States Postal Service on the Recommended Decisions of the Postal Rate Commission on Courtesy Envelope Mail and Bulk Parcel Post, Docket No. MC95-1 at 4 (March 4, 1996) (hereinafter, "CEM Decision"). Please confirm that the Postal Service adheres entirely to the reasoning expressed in the CEM decision. If not confirmed, please explain.

RESPONSE: The decision of the Governors in response to the CEM proposal sponsored by the OCA in Docket No. MC95-1 alludes to the administrative and enforcement issues which were identified by postal witnesses whose testimony rebutted the OCA proposal in that case. The Postal Service's adherence to the position that it would be better to avoid creation of administrative and enforcement issues such as those that were identified by its Docket No. MC95-1 rebuttal witnesses is reflected in its proposal of Prepaid Reply Mail in the present case, which completely avoids the "two-stamp" problems associated with the Docket No. MC95-1 CEM proposal.

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OCA/USPS-T32-20. What is the Postal Service's estimate of the volume of households that will *re-address and re-route a pre-addressed Prepaid Reply Mail envelope*?

- a. If an estimate is provided, please show the derivation and provide copies of all source documents used.
- b. If no estimate is available, please explain why one has not been prepared, and upon what empirical basis you support your assertions.

RESPONSE: No such estimate is available.

(a) Not applicable.

(b) The Postal Service has not had a need to prepare such an estimate. It is unclear what assertions are being referred to in this question.

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OCA/USPS-T32-21. Please see attachment 1, which is a copy of a pre-paid Postal Service envelope mailed by the Postal Service to postal patrons for use in purchasing postage stamps. What volume of the pre-paid pre-addressed envelopes have been inappropriately entered into the Postal Service's mailstream by patrons who have altered the pre-printed address and used the envelope for purposes other than its original intent?

- a. If an estimate is provided, please provide the derivation of all calculated numbers, cite all sources and provide copies of source documents not previously filed in response to OCA/USPS-T32-20.
- b. If no volumes are available, please explain why the Postal Service has not collected this information.

RESPONSE: The Postal Service has no such data for this mail piece.

(a) Not applicable.

(b) The Postal Service has not had a need to collect these data.

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OCA/USPS-T32-27. Does the Postal Service have any knowledge of the extent to which the greeting card industry places notices on its product (e.g., in the place on the envelope where postage would be affixed) that a particular card requires additional postage because of the weight or size of the card? If so, please describe.

RESPONSE: No. The Postal Service is aware of these notices, but does not know the extent to which they are used.

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OCA/USPS-T32-28. Does the Postal Service have any knowledge of the extent to which the private-sector post card industry (e.g., manufacturers of travel post cards) places notices on its product (e.g., in the place on the envelope where postage would be affixed) that a particular card requires additional postage because of the weight or size of the card? If so, please describe.

- a. What percentage of such labeled cards and envelopes is underpaid?
- b. What percentage of such labeled cards and envelopes is overpaid?

RESPONSE: No. The Postal Service is aware of such notices, but does not know the extent to which they are used by manufacturers.

(a)-(b) Not applicable.

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OCA/USPS-T32-29. Does the Postal Service have any knowledge of the extent to which publicly available software programs exist to prepare barcodes and FIMS that would be appropriate for use by PRM and QBRM participants? Please describe.

- a. If so, what is the cost of such programs for public users?
- b. Are they compatible with personal computers of the type that small businesses commonly use?
- c. Are they effective in preparing qualified automation compatible mail?

RESPONSE: For purposes of the PRM and QBRM proposals, the Postal Service does not know.

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OCA/USPS-T32-30. Of the total amount of mail sent to households that contains courtesy reply envelopes, what percentage of the courtesy reply envelopes is automation compatible? Please show the sources for and derivations of your computation.

RESPONSE: The answer to this question is unknown. Also, see response to OCA/USPS-T32-51.

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OCA/USPS-T32-38. Please describe fully how, under the current state of automation in letter processing, processing equipment detects that First-Class mail does not bear sufficient postage.

- a. Are stamps encoded to signify their postage to automation equipment used by the Postal Service? Explain.
- b. Will the Postal Service implement any new procedures in mail processing if their PRM and QBRM proposals are adopted? Explain.
- c. Witness Potter in Docket No. MC95-1 stated in his rebuttal testimony that "the automated facer/canceler equipment is designed to identify mail that has little or no postage, but cannot necessarily identify the precise level of postage applied." Rebuttal Testimony at 13, n.8, Tr.16220. Is this statement still true? Please discuss.

RESPONSE:

(a) No. Stamps only contain an invisible phosphorescence coating. The coating is used by canceling equipment to detect if postage has been applied to the mailpiece.

(b) No. There are no new procedures anticipated in mail processing if the PRM and QBRM proposals are adopted.

(c) Yes. The Automated Facer Canceler System (AFCS) looks for the phosphorescence coating on a stamp to determine if there is postage on a mailpiece, but the AFCS is unable to identify if the precise level of postage is applied. The AFCS is able to identify that the mail has little or no postage applied because low denomination stamps do not have the phosphorescence coating.

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OCA/USPS-T32-39. Please discuss how, under the current state of automation in letter processing, the Postal Service delivers mail with underpayment of postage, and how it collects postage due. Please compare how the Postal Service handles short-paid First-Class mail versus non-paid First-Class Mail.

RESPONSE: Procedures and guidelines for handling mail that does not bear the proper postage are covered in section P011 of DMM 52. In brief, short-paid First-Class Mail is marked to show the total deficiency in postage and is delivered to the addressee on payment of the charges marked on the mail. In contrast, non-paid First-Class Mail is endorsed "Returned for Postage" and is returned to the sender without an attempt at delivery.

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OCA/USPS-T32-40. Referring to the previous interrogatory, does the Postal Service maintain any policies whereby it decides to forego collection of underpayment or nonpayment of postage? If so, please describe.

RESPONSE: The Postal Service does not maintain such policies.

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OCA/USPS-T32-51. Has the Postal Service surveyed or analyzed the automation compatibility of courtesy reply envelopes of the type frequently sent by business concerns to households (e.g., utility companies that send prebarcoded envelopes to customers)? Please describe any results or analysis. If such results or analysis are contained in a report, submit that report. If there exists more than one report, submit the most recent version. If no survey or analysis has been conducted, please explain why.

RESPONSE: No. Generally, courtesy reply envelopes meet the automation compatibility requirements so there has not been a need for a formal survey or analysis. Moreover, courtesy reply envelopes bear a facing identification mark (FIM) and barcode as a result of proactive steps taken with mailers prior to the printing of the envelopes. For instance, Mailpiece Design Analysts (MDAs) work with these businesses to help them design their courtesy reply pieces to be automation compatible. Part of this work includes providing the mailer with a camera-ready positive that can be given to the envelope printer, so a FIM and barcode can be printed on the envelope. Likewise, should quantities of reply mail begin to be rejected on our barcode sorting equipment, that information is forwarded to the MDAs so that follow-up corrective action can be taken with the envelope provider.

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OCA/USPS-T32-52. During hearings in Docket No. MC95-1, Postal Service witness McBride stated (Tr. 762) that the Postal Service was contemplating a requirement that courtesy reply mail pieces be automation compatible and meet the Service's quality requirements. Please confirm that Domestic Mail Manual section C810.8.0, *Enclosed Reply Cards and Envelopes*, effectuates that change. If not confirmed, please explain.

RESPONSE: Domestic Mail Manual C810.8.0 requires courtesy reply, business reply, and meter reply mail to be automation compatible when they are mailed as enclosures in letter-size pieces that are mailed at an automation postage rate.

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.



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August 29, 1997