

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

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS MODEN TO INTERROGATORIES OF
THE AMERICAN BUSINESS PRESS
(ABP/USPS-T4-1-2, 4, 6-10, 12-15)

The United States Postal Service hereby provides responses of witness Moden to the following interrogatories of the American Business Press: ABP/USPS-T4-1-2, 4, 6-10, 12-15, filed on August 20, 1997. An objection to interrogatory ABP/USPS-3 was filed on September 2, 1997. Interrogatory ABP/USPS-T4-5, 11(a), and 11(b) were redirected to witness Degen, the Postal Service, and witness Taufique, respectively.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



Scott L. Reiter

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2999; Fax -5402
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ABP/USPS-T-4-1

On p. 1 of your testimony, you state that your office, among other things, evaluates "the impact of programs and plans outside of Operations."

Please clarify what you mean by evaluation of "programs and plans outside of Operations" when you are the Manager, Operational Requirements within the office of Operations Support. [emphasis added]

Response:

In my current position, I am responsible for identifying and evaluating the potential operational impacts of programs and plans developed by other functional areas within the Postal Service and to pass that information along to the field operating units to help prepare for those impacts.

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ABP/USPS-T-4-2

Please produce for inspection a copy of the "Corporate Automation Plan", referred to in paragraph one, p. 1 of your testimony.

Response:

The Corporate Automation Plan is being filed as Library Reference H-246.

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ABP/USPS-T-4-4

[a] Please confirm (1) that prior to January 1, 1997, periodical mailers that qualified for bar-code (ZIP +4) discounts were allowed to mail both automation-qualified and non-automation pieces together in packages otherwise properly prepared, as long as the number of pieces that did not qualify for the bar-code discount did not exceed 15% of the pieces of the total mailing and (2) that the pieces in such mailings that did have ZIP +4 Codes qualified for bar-code discounts in effect prior to January 1, 1997.

[b] Please confirm that the Classification Reform Implementation Standards published as a "Final Rule" in the March 12, 1995 Federal Register mandated that, effective July 1, 1996, all pieces that a periodical publisher claimed for automation (bar-code discount) rates must show 100% valid delivery point or ZIP +4 bar-codes, or all of the pieces in the mailing would be denied automation discounts.

[c] Please confirm that USPS received comments from publishers about the rule described in part [b] above that this 100% standard could eliminate large volumes of more finely presorted periodical pieces, that there could be a decrease in the volume of bar-coded periodical pieces and that USPS cannot supply correct bar-codes for all addresses to which periodicals are mailed.

[d] Please confirm that the implementation date of July 1, 1996 for 100% ZIP +4 addressing for a mailing of periodicals to qualify for bar-code discounts was deferred by USPS to January 1, 1997, while between July 1 and December 31, 1996 up to 10% of the pieces in an automation periodicals mailing of flat-size pieces could bear a five-digit ZIP Code, such five-digit pieces being allowed to be combined and presorted with the balance of the mailing, paying nonautomation periodical rates.

[e] Please explain the reason USPS delayed the effective date of the 100% ZIP Plus 4 rule for periodical automation pieces from July 1, 1996 to January 1, 1997.

[f] Did you, other USPS managers that report to you, and/or senior USPS management continue to receive information, by meeting, correspondence and phone calls from publishers and their associations prior to and after the January 1, 1997 effective date for 100% ZIP Plus 4 bar-coding, that the standard was impossible to comply with, would adversely affect service, degrade levels of presort, and impede efforts to bar-code as many periodicals as possible. If your answer is affirmative, describe what actions USPS has since taken, including actions you have taken, to correct these difficulties.

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[g] Do problems raised by publishers about their ability to attain 100% ZIP Plus 4 codes continue at present?

[h] Will the 100% ZIP Plus 4 mandate for periodical mailings will be achieved in the test year? Please explain affirmative or negative answer.

[i] If your answer to part [h] is negative, will five-digit pieces segregated from properly bar-coded pieces in the same mailing be manually distributed if the five-digit pieces are machinable?

Response:

- a. Not confirmed. This response is limited to the requirements for flats barcoded or automation rates since your question referred to barcode ZIP+4 discounts and letter mail requires delivery point barcodes.

From July 1, 1996 through December 31, 1996, 90% of the pieces in an automation rate Regular Periodicals mailing were required to bear a ZIP+4 or delivery point barcode. From October 6, 1996 through December 31, 1996, at least 90% of the pieces in an Preferred Periodicals automation rate mailing were required to bear a ZIP+4 or delivery point barcode.
- b. Not confirmed. The implementation rules in the March 12, 1995, Federal Register stated that all flat-size Regular Periodicals automation rate mailings must consist of 100% ZIP+4 or delivery point barcoded pieces, that had been matched to a current Postal Service ZIP+4 code database using CASS-certified address matching software within 6 months prior to the date of the mailing. Although not stated in the Federal Register final rule, normal acceptance procedures were in effect at the time the 100% ZIP+4 or delivery

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point barcoded pieces rule was placed in effect. These acceptance procedures allow some tolerance for all types of errors, including absence of a ZIP+4 or delivery point barcode in a flat-size automation rate mailing, before assessing postage at higher rates.

- c. Confirmed.
- d. Confirmed for Regular Periodicals. See my response to (a) above for Preferred Periodicals.
- e. The Postal Service was aware that Periodicals mailers did not have the same period of advance notice of the 100% barcoding rule as First-Class and Standard mailers, and desired to provide Periodicals mailers a comparable period of time in which to prepare to meet that requirement.
- f. Yes. The Postal Service does not agree that the requirement is impossible to comply with. The 100% ZIP+4 or delivery point barcoding standard for flat-size mailings (100% delivery point barcoded for letter-size mailings) requires that mailers separate pieces that bear qualifying barcodes from pieces that do not, and prepare these two groups of mail as two separate mailings. Accordingly, pieces for which mailers are unable to obtain a ZIP+4 or delivery point barcode are not excluded from the mail, but are sorted separately from pieces qualifying for automation rates. In fact mailers have been complying with this requirement since January 1 of this year. Also, since implementation of the 100% barcoding requirement, the number of barcoded rate pieces has increased. The Postal Service agrees that separate

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automation and nonautomation mailstreams may cause a loss of presort level, and therefore some loss of discounts for mailers. However, it believes that the added efficiencies of a 100% ZIP+4 or delivery point barcoded mailstream for flats, and a 100% delivery point barcoded mailstream for letters offsets any loss of presort density.

In terms of service issues, the Postal Service does not know with any certainty the exact causes of the service problems some mailers are experiencing. The July 1, 1996, Classification Reform presort requirements were vastly different from previous presort requirements. Some of the changes follow. There was a change in distribution networks from state distribution centers (SDCs) to area distribution centers (ADCs). Optional city package and sack preparation levels were eliminated as were SCF packages and sacks. Except for automation letters, the minimum number of pieces in a package was 6 pieces, and each sack was required to contain at least one 6-piece package. Automation preparation for letters required a minimum of 150 pieces to a required tray sortation level. Pallet sortation requirements were also revised.

In response to service issues, the Postal Service, effective October 1, 1996, revised packaging and sacking requirements for Periodicals non-letter size pieces to allow preparation of packages of fewer than 6 addressed pieces when packaged to the carrier route, 5-digit, or 3-digit level, and properly placed in carrier route, 5-digit carrier route, 5-digit, or 3-digit sacks. The

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Postal Service also allows pure barcoded and pure non-barcoded packages of flats to be placed in the same sack. The Postal Service also plans to propose reinstating preparation of an SCF sack for nonletter-size pieces (but not an SCF package). The Postal Service is also investigating further changes to palletization rules. In addition, a Mailers Technical Advisory Committee (MTAC) work group has been formed to study service issues for Periodical publications. This work group consists of both Postal Service personnel and mailers. In addition, an Address Coding Enhancement Work Group has been established under MTAC and has had an initial meeting. This group is tasked with identifying barriers to achieving 100% delivery point barcoding, and developing solutions to those barriers.

- g. Yes, addressing issues remain and are being jointly worked on by industry and USPS as described in (f) above.
- h. As described in my answer to part (f) above, the mandate applies to the physical pieces in a barcoded mailing. That requirement is already being met and will continue to be met in the test year. Efforts towards achieving 100% ZIP+4 coding of all address lists are ongoing and I do not expect that all addresses will be 100% ZIP+4 coded in the test year.
- i. That will depend on the destination of those pieces, i.e., the availability of FSMs and whether or not they are destined to zones with fewer than 10 routes, etc. Flats destined to zones with fewer than 10 routes are planned to be manually sorted to the carrier route level.

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ABP/USPS-T-4-6

In describing the MPFSM 1000 machine on p. 10 your testimony, you state that "nearly all" flats non-machinable on the FSM 881 can be processed on the FSM 1000.

[a] Please describe as completely as possible kinds of flats (e.g., pieces over one pound, tabloids, etc.) that currently are "non-machinable."

[b] What is the total volume of non-machinable periodical pieces that the FSM 881 cannot process? How many periodicals or periodical pieces currently are non-machinable because they exceed the maximum length limit of 15" prescribed by DMM SC820.3b?

Response:

- a. Flats that do not meet the standards listed in sections C820.2.0 through C820.7.0 of DMM 52 are non-machinable.
- b. The total number of non-machinable Periodical flats that cannot be processed by the FSM 881 is not known. Similarly, the number of Periodicals that are currently non-machinable because they exceed the maximum length limit of 15" is not known.

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ABP/USPS-T-4-7

Is there an inconsistency between the number you cite of 58.8% (through A/P 9, FY 1997) of all non-carrier route flats that are bar-coded (p. 10, line 12) and the figure of 28% that you cite on p. 10, line 29? Please clarify the meaning of these different percentages.

Response:

No. The two numbers are related to two different indicators. The 58.8% number reflects the total number of non-carrier route flats that are barcoded by mailers.

The 28% number reflects the percentage of total incoming secondary processing that was performed with barcode readers on the flats sorter. As I mentioned at page 13, lines 26 through 30 of my testimony, only the zones with ten or more routes receive incoming secondary processing on the flat sorter.

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ABP/USPS-T-4-8

[a] At page 10, you state that the percentage of flat mail that is barcoded has increased since "Classification Reform." Is it your testimony that the classification changes to which you refer caused a substantial part of that growth? Please explain.

[b] To what classes and subclasses does your statement about the increased percentage of barcoded flat mail apply?

Response:

- a. Yes. Trends reflect that much of the growth in barcoded flats coincided with the implementation of Classification Reform.
- b. All classes.

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ABP/USPS-T-4-9

At page 10, lines 10-12, you provide the percentage by which barcoded flat mail has increased. Please provide the equivalent percentages by class and subclass.

Response:

As a clarification, at page 10, lines 10-12, I provide the percentage of all non-carrier route flats that were barcoded for the Fiscal Years of 1995 through AP 9, 1997. These percentages do not represent the percentage growth for each time period. The percentages of growth in barcoded flat mail through AP 9, Fiscal Year 1997, compared to the same period in Fiscal Year 1996, were 250% in First Class, 21.6% in Periodicals, and 50.8% in Standard.

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ABP/USPS-T-4-10

At page 10 you describe the deployment of FSM 1000s, and at page 13 you discuss the possible deployment of barcode readers for those sorters. Please update this testimony and continue to do so throughout the case.

Response:

There have been no new developments in regards to the deployment of barcode readers on the FSM 1000s since my original testimony was filed.

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ABP/USPS-T-4-12

[a] In reference to your discussion (p. 13, lines 20-24) about bar-code readers added to FSM 1000s, do you disagree with public statements made by USPS officials that deployment of bar-code readers will begin in FY 1998, as contrasted with your use of the phrase "could begin in Fiscal Year 1998"?

[b] Why has management not yet asked the Governors to approve FY 1998 deployment of bar-code readers for FSM 1000 [DMA/USPS-T-4-8 (F)]?

Response:

- a. Without a specific reference to the public statements to which you refer, I see no reason to conclude that there is any disagreement. I assume that the *unnamed officials you cite are describing postal management's plans. The language in my testimony was intended to recognize that deployment of the barcode readers cannot occur until formally approved by the Board of Governors, which has not yet occurred.*
- b. Field testing of a barcode reader on the FSM 1000 must be complete before *a formal recommendation can be scheduled to be brought to the Board of Governors.*

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ABP/USPS-T-4-13

Please provide now, or when available, copies of all contracts for the manufacture and deployment of bar-code readers designed for attachment to FSM 1000 machines.

Response:

No contracts have been let for manufacture and deployment of barcode readers for FSM 1000 machines.

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ABP/USPS-T-14

How many of the 812 FSM 881 flat sorters, whether or not retrofitted with OCR capability for non-bar-coded pieces (USPS-T-4, p. 13, lines 7-9), now have barcode readers to recognize mailer-applied bar-codes? If not all FSM 881 flat sorters have BCR capability, explain why some do and some do not.

Response:

All of the FSM 881s have barcode readers.

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ABP/USPS-T-4-15

Confirm that your response to DMA/USPS-T-4-1 (c) that Witness Tolley, Exh. USPS-6A, projects the distribution of barcoded letters and flats for the FY 1997-1999 period is not completely accurate, because Witness Tolley does not project volumes of automated periodicals in the Exhibit.

Response:

Confirmed. This is also applicable to DMA/USPS-T4-1(b).

DECLARATION

I, Ralph J. Moden, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information and belief.

Ralph J Moden

Dated: 9/3/97

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.



Scott L. Reiter

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
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