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

POSTAL RATE AND FEE CHANGES, 2001 | Docket No. R2001–1

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 4

The United States Postal Service hereby provides the responses to Presiding Officer's Information Request No. 4, issued November 6, 2001. Information pertaining to questions 4 and 5 is still being gathered. Responses are forthcoming.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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November 16, 2001

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 4

POIR 4/1. This question concerns Express Mail and refers to USPS-T-35.
(a) At page 24, witness Mayo discusses the proposal for tying the Express Mail flat rate envelope rate to the half-pound rate. Will the proposed flat rate envelope be the same size and have the same capacity as the current flat rate envelope?
(b) At page 25, lines 13-14, witness Mayo states, "Express Mail paid claims for merchandise in the $0 to $500 range averaged $170." What percent of the claims were below $I00?
(c) At page 28, lines 13-I 5, witness Mayo states, "The Custom Designed rate differential was developed by applying a 30-cent differential to the Post Office to Post Office rate differential. The 30-cent rate differential was considered a reasonable differential." Please explain all considerations and factors that led to the conclusion that this was a 'reasonable' differential.

RESPONSE:

(a) Yes.

(b) In FY 2000, 53 percent of the Express Mail paid claims for merchandise in the $0 to $500 range were $100 and below.

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POIR 4/I (Continued):

(c) I examined two methods to arrive at the 30-cent rate differential. First, I marked up the cost differential from Post Office to Addressee to Post Office to Post Office of ($1.40) by the target cost coverage of 229 percent, resulting in ($3.22). I then applied the target cost coverage of 229 percent to the cost differential from Post Office to Addressee to Custom Designed of ($1.21) to arrive at ($2.78). The difference between the two differentials is ($0.44) or [($3.22 minus $2.78)]. I compared the marked up cost differential difference ($0.44) with the cost differential difference before markup of $0.19 or ($1.40 minus $1.21). The difference between these two numbers is ($0.25) or ($0.44 minus $0.19). I mitigated the increase in the Custom Designed rates by dividing the ($0.25) difference in half to arrive at ($0.125). I added this ($0.125) to the ($0.19) differential which resulted in ($0.315). I rounded this number to the nearest nickel that resulted in 30 cents. The second method I examined involved taking the difference in the current rate structure of -$0.15 and $0.55 between the Post Office to Post Office and Custom Designed rates and dividing this $0.70 range by two to arrive at $0.35.

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POIR 4/I (Continued):

The proposed differential of 30 cents is "reasonable", as discussed in my testimony at page 28, lines 15-20. I believe the 30-cent difference reflects a balanced approach. If I had fully marked up the cost differential, an undue burden would have been placed on Custom Designed rates. Instead, I chose a more moderate approach.

DECLARATION

I, Susan W. Mayo, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Susan W. Mayo
SUSAN W. MAYO

Dated: 11/16/01

RESPONSE OF U.S. POSTAL SERVICE WITNESS MOELLER TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 4, QUESTION 2

2. This question refers to the calculation of the avoidable costs underlying the worksharing discounts in the four subclasses of Standard Class. In previous rate cases, the Postal Service has provided separate mail processing cost model calculations for the regular and nonprofit subclasses with corresponding CRA adjustment factors. The separate costs are available for the base year in the underlying workpapers, which suggests that the mail processing models and the unit mail processing costs by shape could have been calculated separately for Regular and Nonprofit. Base year data are also available separately for Enhanced Carrier Route (ECR) and Nonprofit ECR. What is the rationale for calculating one set of worksharing costs that combine the commercial and nonprofit subclasses?

RESPONSE:

The rationale for one set of worksharing costs has several components. First, the recently-enacted law affecting nonprofit rates (P.L. No. 106-384) directs that the factors of 3622(b) be applied to the combined cost of the regular rate mail and the corresponding special rate mail. This combination of costs is an important feature of the law. It helps moderate the rate swings that sometimes resulted from underlying cost changes and the "half-the-markup" rule embodied in the Revenue Forgone Reform Act (1993). The new law was intended to address this "rate swing" problem. (See Part II of Senate Report No. 106-468, 106th Cong., 2d Sess.). Under the new rate mechanism, separately identified costs (at the "subclass" level) for nonprofit do not play a role in the determination of nonprofit rates, and the Postal Service will not be tracking the costs separately. While the law did not specifically address costs for worksharing discounts, the natural extension of the combination of costs at the "subclass" level is to combine the measurement of cost differences for categories beneath

the subclass level, especially since the combined costs at the subclass level sometimes serve as inputs to the worksharing cost avoidance calculations.

The combination of costs for determining rate differentials within Standard Mail is not unprecedented. For example, the destination entry discounts and the Residual Shape Surcharge are, and in the past have been, based on cost estimates that combine commercial and nonprofit. Also, all else equal, the cost difference between, for example, 3-digit automation letters and 5-digit automation letters would not be expected to differ significantly for commercial as opposed to nonprofit. Combining the costs, therefore, is reasonable, since it would not appear to be overlooking significant differences between commercial and nonprofit in terms of workshare-related cost avoidances. Moreover, the law *does* allow for distinct passthroughs (for a given discount) within the rate design for commercial and nonprofit, so even though the cost differentials may be the same, the discounts might differ due to selection of different passthroughs. The ability to choose separate passthroughs provides flexibility in the respective rate designs for commercial and nonprofit, and lessens even further the importance of distinct worksharing costs for nonprofit and commercial.

DECLARATION

I, Joseph D. Moeller, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

JOSEPH D. MOELLER

Dated: 11-16-01

RESPONSE OF POSTAL SERVICE WITNESS DON M. SPATOLA TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 4, QUESTION No. 3

3. In USPS-T-20, at page 7, witness Spatola states, "The Postal Service can avoid [ ] handlings at the FedEx hub by preparing air containers that bypass the FedEx sort."
   (a) Are the handlings referred to in this statement piece handlings?
   (b) Do air containers that bypass the FedEx sort have D&R tags affixed to them?
   (c) If so, will FedEx scan the tags on containers that bypass the FedEx sort?
   (d) Please describe how containers that bypass the FedEx sort are routed to their destination.

RESPONSE

(a) No. The handlings refer to mailbags, tubs, trays or outsides.

Please see page 5 of the USPS FedEx Transportation Agreement

(USPS-LR-J-97).

(b) Yes. There are specialized D&R tags called container D&R tags for

this purpose. Container D&R tags have the same basic information as

other D&R tags.

(c) Yes.

(d) When bypass containers arrive at the FedEx hub, they are

unloaded and sent to a "bypass lot" where they are sorted by destination.

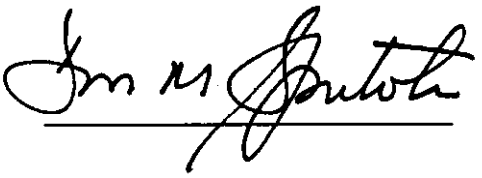
From the bypass lot, they are dispatched to the outbound aircraft

assigned to the destination city. They are then loaded on the aircraft and

flown to their destinations.

DECLARATION

I, Don M. Spatola, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.



Dated: 11/16/01

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ROBINSON
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 4

POIR 4, Question 6

OCA/USPS-63-c requests Base Year and Test Year volume for letter shaped mail separated for manual processing. The response, filed on October 25, provides "Base Year volumes [that] include only the pieces assessed the Nonstandard Surcharge based on the current definition, and the Test Year After Rates volumes include an estimate of the additional pieces meeting the proposed nonmachineable definition." Please provide, by subclass, the volume of letter shaped mail separated for manual processing that does not satisfy these definitions. For example, First-Class letters greater than one ounce would seem to fall into this category. Also, please confirm that the requested information when added to the information provided in response to OCA/USPS-63-c provides the total volumes manually processed.

RESPONSE:

The Postal Service cannot estimate the total volume of First-Class Mail, letter-shaped pieces weighing over one ounce that would be manually processed in the test-year-after-rates. The description below outlines the available data on volumes subject to the proposed nonmachinable surcharge by rate category, shape, and weight[1].

Single-Piece Rate Category

For single-piece First-Class Mail weighing one ounce or less, the estimated volume in the test-year-after-rates that would pay the nonmachinable surcharge equals

(i) the single-piece volume weighing one ounce or less that meets the current nonstandard definition

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[1] All data in thousands of pieces.

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Response to POIR 4, Question 6 (page 2 of 5)

Single Piece Volume	**Source:**
412,179 current nonstandard	(a) =[USPS-T-29, Att.C at 1 col2(e) /USPS-T-29, Att. C at 1 col 2(a)] *[USPS-T-29, Att. C at 1 col (3)(a)
55,153 letter-shaped	(b) = (a)*GFY00 letter share from USPS-LR-J-112
317,674 flat-shaped	(c) = (a)*GFY00 flat share from USPS-LR-J-112
39,352 parcel-shaped	(d) = (a)*GFY00 parcel share from USPS-LR-J-112

(ii) the single-piece volume weighing one ounce or less that would pay the proposed nonmachinable surcharge because of the expansion of the definition (530,454 pieces = 942,633 total nonmachinable USPS-T29, Att. C at 1, col. (3)(e) less 412,179 nonstandard pieces in (i) above). All of the pieces that will pay the nonmachinable surcharge because of the expanded definition are letter-shaped. See proposed DMCS §232(c). The process used to derive the estimated single-piece volume is shown at USPS-T-29, Attachment F at 3. The Postal Service has no estimates of the volume of single-piece mail for which manual processing requests are made.

Therefore, the estimated total volume of single-piece First-Class Mail to which the proposed nonmachinable surcharge would apply is 942,633 (= 585,607 letter-shaped + 317,674 flat-shaped + 39,352 parcel-shaped). All of these pieces, by definition, weigh one ounce or less.

Because there is no rate element comparable to the current nonstandard surcharge for single-piece, First-Class Mail weighing more than one ounce, the Postal Service does not have data that allow it to count the pieces with physical characteristics similar to those of pieces weighing one ounce or less that are

Response to POIR 4, Question 6 (page 3 of 5)

subject to the nonstandard surcharge. The Postal Service also does not have data on the volume of First-Class Mail for which manual processing is requested.

Nonautomation Presort Rate Category

For Nonautomation Presort First-Class Mail weighing one ounce or less, the estimated volume in the test-year-after-rates that would pay the nonmachinable surcharge equals

(i) the nonautomation presort volume weighing one ounce or less that meets the current nonstandard definition

Nonautomation Presort	**Source:**
37,900 current nonstandard	(a) =[USPS-T-29, Att.C at 1 col2(j) /USPS-T-29, Att. C at 1 col 2(f)] *[USPS-T-29, Att. C at 1 col (3)(f)
12,745 letter-shaped	(b) = (a)*GFY00 letter share from USPS-LR-J-112
19,951 flat-shaped	(c) = (a)*GFY00 flat share from USPS-LR-J-112
5,203 parcel-shaped	(d) = (a)*GFY00 parcel share from USPS-LR-J-112

(ii) the Nonautomation Presort volume weighing one ounce or less that would pay the proposed nonmachinable surcharge because of the expansion of the definition (159,032 pieces = 196,933 total nonmachinable USPS-T29 Att C at 1 col. (3)(j) less 39,700 nonstandard pieces in (i) above). All of the pieces that will pay the nonmachinable surcharge because of the expanded definition are letter-shaped. See proposed DMCS §232(c). The Postal Service has no estimate of the number of Nonautomation Presort pieces for which manual processing is requested. However, the mail characteristics data used to estimate the number of pieces of that are

Response to POIR 4, Question 6 (page 4 of 5)

physically nonmachinable may be slightly overstated and therefore can be assumed to account, in part, for manual processing requests.[2]

Therefore, the estimated total volume of Nonautomation Presort, First-Class Mail to which the proposed nonmachinable surcharge would apply is 196,933 (= 171,177 letter-shaped + 19,951 flat-shaped + 5,203 parcel-shaped). All of these pieces, by definition, weigh one ounce or less.

Because there is no rate element comparable to the current nonstandard surcharge for Nonautomation Presort, First-Class Mail weighing more than one ounce, the Postal Service does not have data that allow it to count the pieces with physical characteristics similar to those of pieces weighing one ounce or less that are subject to the nonstandard surcharge. The Postal Service also does not have data on the volume of First-Class Mail for which manual processing is requested.

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[2] The estimated 24.45 percent of Nonautomation Presort volume that is assumed to pay the proposed nonmachinable surcharge is based on the 1997 Mail Characteristic Study (Docket No. R97-1, USPS-LR-H-185; also reported in USPS-LR-J-60 at 50, see response to OCA/USPS-86(a)). This percentage is the share of all letter-shaped pieces, regardless of weight, that are physically nonmachinable. Therefore, it is possible that some proportion of the 24.45 nonmachinable percent of all letter-shaped pieces includes pieces weighing over one ounce. However, this percentage is likely to be very small. Of all letter-shaped Nonautomation Presort pieces, 95.6 percent weigh less than one ounce and, of the pieces weighing more than one ounce, many may be machinable.

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Automation Letters

By definition, all First-Class Mail Automation Letters are machinable.

Carrier Route Letters

By definition, all First-Class Mail Carrier Route Letters are machinable.

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POIR 4, Question 9(b)

USPS LR-J-84 presents the difference in cost of machinable and nonmachinable First-Class nonautomation presort letter shape mail as 16.5 cents.

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(b) Please verify that the only presort pieces subject to the nonmachinable surcharge would be nonautomation presort pieces.

RESPONSE:

(b) Not confirmed. The proposed nonmachinable surcharge will apply to the Nonautomation Presort and the Automation Flats rate categories. By definition, First-Class Mail Automation Letters and Carrier-Route Letters cannot be nonmachinable. The proposed nonmachinable surcharge will apply to Automation Flats weighing one ounce or less if these pieces have dimensions greater than those specified in proposed DMCS §232 (b).

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POIR 4, Question 10

Refer to section 232 of the Proposed Changes to the DMCS.

(a) Please define the "machinability requirements specified by the Postal Service" in specific, objective terms.

(b) It appears that the proposed rules for applying the First-Class nonmachinable surcharge would not create a rate incentive for mailers of letters and parcels weighing more than one ounce or flat-shaped mail of any weight to design mail pieces that are machinable. Please explain the rationale for excluding these types of pieces from the incentive created by the nonmachinable surcharge.

RESPONSE:

(a) The Postal Service is currently drafting the machinability requirements for letter-sized pieces referred to in proposed DMCS §232(c)(i). Under these draft specifications, the proposed nonmachinable surcharge would be expected to apply to letter-sized mail pieces that have any of the following physical characteristics:

(i) An aspect ratio (length divided by height) of less than 1.3 or more than 2.5;

(ii) Polybagged or polywrapped;

(iii) Have clasps, strings, buttons, or similar closure devices;

(iv) Contain lumpy items such as pens, pencils, keys, and loose coins;

(v) Are too rigid (does not bend easily when subjected to a transport belt tension of 40 lbs. around an 11-inch diameter turn);

(vi) Are too flimsy to withstand mechanized processing;

(vii) Have an address parallel to the shortest dimension of the mailpiece;

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(viii) For folded self-mailers, when the folded edge is not parallel to the longest dimension, regardless of the use of tabs, wafer seals, or other fasteners;

(ix) For booklet-type pieces; when the bound edge (spine) is not the longest edge of the piece or is not at the bottom, regardless of the used of tabs, wafer seals, or other fasteners; or

(x) Have excessive varnish or gloss that prevents the USPS from spraying a barcode on the piece (and therefore requires a label to be placed on the piece for this purpose).

In addition, the proposed nonmachinable surcharge would apply to letter-sized pieces for which manual processing is requested (see proposed DMCS §232(c)(ii)).

(b) To clarify, under proposed DMCS §232(b), all non-letter-shaped pieces weighing one ounce or less are subject to the current nonstandard surcharge and would pay the proposed nonmachinable surcharge. This surcharge provides a rate incentive to encourage those mailers who can to convert non-letter-shaped pieces into letter-shaped pieces and also offsets some of the additional costs of processing non-letter-shaped pieces that are physically nonmachinable.

The proposed nonmachinable surcharge does not apply to any First-Class Mail piece weighing more than one ounce. While some additional

Response to POIR 4, Question 10 (page 3 of 3)

costs may exist to process these pieces, these costs are assumed to be recovered in the additional ounce rate.

DECLARATION

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

Maura Robinson
MAURA ROBINSON

Dated: November 16, 2021

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KINGSLEY TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 4

POIR 4/7. Please provide by subclass Base Year and Test Year volumes for flat shaped mail separated for manual processing. Please also describe the types of flat shaped mail that are separated for manual processing and the reasons for the separation.

RESPONSE:

The Postal Service does not track volumes by class or subclass either in MODS at plants or in delivery units (see response to MMA/USPS-T-39-7). However, the portion of flats sorted in manual operations in plants in FY 2000 was 23 percent (6.8 billion pieces) and the goal for FY 2002 is 7.4 percent. (See response to DMA/USPS-T39-5 and 14). Goals for the Test Year have not yet been determined.

Other than incoming secondary operations, the types of flat shaped mail that are in manual operations include rejects from the FSMs and pieces that are non-machinable such as: a small, rolled-up newspaper, a magazine over 1.25 inches thick, or any piece that does not meet the FSM 1000 machinability requirements listed in DMM C820.3.

For incoming secondary operations, the above factors come into play for automated zones (zones on an FSM to sort to carrier route) but not for non-automated zones where machinability does not matter since the sort will be done manually, usually at the delivery unit. See response to POSTCOM/USPS-T39-9, which explains criteria for the expected 65 percent of machinable incoming

secondary volumes, which will be sorted to carrier route on FSMs in the test year.

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POIR 4/11. These questions refer to Standard class.

(a) Are barcodes on flat-shaped mail required to be 100 percent readable by flat automation equipment to be eligible for automation rates?

(b) Please describe how the Postal Service determines that barcodes are readable.

(c) If the barcodes on flat-shaped mail are found to be unreadable during mail processing, after acceptance at the dock, does the Postal Service charge the corresponding non-automation rate? If so, how?

(d) What is the percentage of prebarcoded flats that cannot be processed on automated flat sorting machines because the barcodes are not readable?

(e) Please describe how the Postal Service processes flat-shaped mail with unreadable barcodes.

RESPONSE:

(a) To ensure readability, barcodes on all flat-shaped mail are required to meet the applicable barcode standards in Domestic Mail Manual (DMM) C840. Acceptance and verification procedures for barcode quality are contained in *Business Mail Acceptance Handbook DM-109.* Under these procedures, when barcodes on automation rate flat-size mailpieces are inspected for compliance with DMM standards, if 90 percent or more of the mailpieces in the sample meet the standards for barcode quality, the mailing passes the verification for barcode quality. If, as a result of the barcode quality inspection, less than 90 percent of the mailpieces sampled meet the barcode quality standards, postage is adjusted before the mailing is accepted.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KINGSLEY TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 4

(b) MERLIN is used at sites where it has been deployed. At sites where MERLIN has not been deployed, barcodes are visually inspected for DMM compliance using the verification tools specified in Handbook DM-109, Chapter 7.

(c) There is no procedure in place to charge mailers additional postage for barcodes that are found to be unreadable during mail processing.

(d) Results from AFSM 100 engineering tests indicate barcode read rates of 93.87 percent. This figure is in LR-J-61, page 84 for Standard mail.

(e) OCR/BCR read rejects on the AFSM 100 have images keyed through the Video Coding System (VCS). For non-incoming secondary processing operations, if the keyer is unable to resolve the image, the piece will most likely go to an FSM 1000 to be keyed while the OCR/BCR read rejects from the FSM 881 are either keyed on the FSM 881 or FSM 1000. For FSM incoming secondary processing operations, the rejects would be sent to manual operations.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KINGSLEY TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 4

POIR 4/14. To aid understanding of network operations, please provide a description of the elements of the Postal Service network. The description should describe the facility types (for example, Processing and Distribution Centers (P&DC), Processing and Distribution Facilities (P&DF), Automated Distribution Centers (AADC), Sectional Sorting Facilities (SCF), Hub and Spoke System facilities (HASPS), Customer Service Facilities (CSF), Delivery Units (DU) and the number of each facility type in FY2000. Please include an explanation of what distinguishes the different types of facilities, such as P&DF versus a P&DC, and how they typically relate to each other in the network. In Docket No. C2001-3, the Postal Service has referred to an "Organizational Structure List" as mapping the relationships between facilities. Please make that list available as a library reference.

RESPONSE:

P&DCs, P&DFs, CSFs, and DUs are actual physical facilities. While ADCs, AADCs, and SCFs concern sort plans, networks, and mail flows as per the labeling lists in the DMM.

Node definitions:

1. Processing and Distribution Centers (P&DCs) perform originating and destinating processing for their own service areas. There are approximately 180 P&DCs. P&DCs exchange mail directly with other P&DCs as well as to their own subordinate P&DFs (if they have any) and delivery units.
2. Sectional Center Facility (SCF) is an older organizational term that describes a mail processing facility serving originating or destinating mail in a single or multiple 3-digit ZIP Code area. SCFs can be P&DCs, P&DFs, and CSFs. DMM list L003, column c lists the SCF facilities and the ZIP Code ranges they are responsible for processing. There are approximately 470 SCFs.
3. A Processing and Distribution Facility (P&DF) is smaller than a P&DC yet will generally perform similar outgoing and incoming distribution activities for all

mail coming from and going to all delivery units. There are 89 P&DFs. Each P&DF is subordinate to a designated P&DC.

4. Customer Service Facility (CSF) is a facility which performs secondary distribution to its subordinate delivery units and may perform originating mail processing. CSFs are processing facilities that did not have an MLOCR when named during the 1992 Postal reorganization. There are approximately 130 CSFs. Each CSF is subordinate to a designated P&DC.
5. Delivery unit (DU) refers to the local post office or detached box section. It can be a station (within the city), branch (associated with a station) or associate office (usually a suburban or rural office). It is the facility from which mail is delivered to customers. There are roughly 37,000 delivery units. Delivery units have a child-to-parent relationship to CSFs, P&DFs and P&DCs.
6. Automated Distribution Centers (AADCs) are P&DCs or P&DFs that receive mail destined for specific ZIP Code areas under the Managed Mail Program (MMP) for letters. Not all PDCs and PDFs are AADCs for the Managed Mail Program. There are 93 AADCs for domestic First Class Mail. See DMM list L801.
7. Hub and Spoke facilities (HASPs) do not perform originating or destinating distribution operations on mail. HASPs serve as central consolidation points and transfer points (hubs) for containers of mail for multiple P&DCs and P&DFs (spokes), where originating mail is massed for distribution to particular destinations. There are 12 HASPs.

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7. The "Organizational Structure List" referenced in Docket No. C2001-3 was submitted as USPS-LR-C2001-3.1 OCS-12B2.xls.

DECLARATION

I, Linda A. Kingsley, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Linda A. Kingsley
LINDA A. KINGSLEY

Dated: 11/16/01

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 4

Question 8 USPS LR-J-85 presents the worksharing related unit costs of First-Class ADC automaton presort flats and 3-digit automation presort flats as 25.721 cents and 25.749 , respectively. Intuitively, ADC presort mail would be more, not less, costly than 3-digit presort mail. Please provide any operational, methodological, data collection or other explanation for this counterintuitive result.

RESPONSE:

In order to explain this issue, it is instructive to look at the model costs for First-Class Mail automation ADC presort flats (15.366 cents) and automation 3-digit presort flats (15.383 cents). The package and piece distribution costs for these two cost models are shown below.

Breakdown of Piece and Package Distribution Costs
First-Class Automation ADC Presort Flats and 3-Digit Presort Flats

First-Class Rate Category	Package Cost (Cents)	Piece Cost (Cents)	Total Cost (Cents)
Automation ADC presort flats	1.248	14.118	15.366
Automation 3-digit presort flats	2.276	13.107	15.383

As the data clearly show, automation 3-digit presort flats incur greater package sorting costs, but lesser piece distribution costs, when compared to automation ADC presort flats. The net result is that automation 3-digit presort flats incur slightly greater total costs.

The package sorting costs were based on mail characteristics data found in USPS LR-J-85 on page 29. The only data for the automation basic presort flats rate category consisted of ADC packages in mixed ADC containers. When de-averaging the automation basic presort flats rate category into two rate categories, the same package sorting costs were used for both the automation mixed ADC and automation ADC cost models. Consequently, the relationship between the automation ADC presort flats and automation 3-digit presort flats cost estimates may be due to limitations associated with the current mail characteristics data.

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Question 9 USPS LR-J-84 presents the difference in cost of machinable and nonmachinable First-Class nonautomation presort letter shape mail as 16.5 cents.

(a) Please provide the comparable difference in cost between machinable and nonmachinable single-piece letter shaped mail.

RESPONSE:

The 16.5-cent figure referenced in this question is now 16.362 cents (please see the revisions filed on 11/15/01).

(a) The cost models found in USPS LR-J-60 and USPS LR-J-84 have been revised to include pages 40A, 40B, 40C, and 40D (please see the revisions filed on 11/15/01). These pages include mail flow models and the corresponding cost sheets for a machinable single-piece letter (with a machine-printed address) and a nonmachinable single-piece letter. The costs are as follows:

Data Source:	Nonmach Sing Pc Letter Cost (Cents)	Mach Sing Pc Letter Cost (Cents)	Difference
LR-J-60 (USPS)	26.285	10.832	15.453
LR-J-84 (PRC)	38.780	12.207	26.573

The costs for the PRC version of this analysis are so much higher for the nonmachinable mail piece because of the difference between the volume variability factors for manual processing operations. The USPS volume variability factor is 0.580, while the PRC version of that factor is close to 0.995. Higher volume variability factors result in lower marginal productivities and, in turn, higher costs.

Question 12

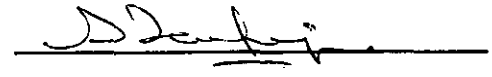
In USPS-LR-J-107, in worksheet "RR TYAR" of notebook "OC0I .xls" at cell D77, the formula "SUM (D6:D74)" does not include the amount (5,468) in cell D75. This amount is labeled "WKSHRING DISCNT DADC ENTRY." Please explain why the sum in cell D77 does not include this amount.
Similarly, in worksheet "NP TYAR" of notebook "OCOI .xls" at cell D84, the formula "SUM (D6:D15) + SUM (D24:D38) +SUM (D60:D74)" does not include the amount (624) in cell D75. This amount is labeled "WKSHRING DISCNT ADC ENTRY." Please explain why the sum in cell D84 does not include this amount.

RESPONSE:

In both worksheets "RR TYAR" and "NP TYAR", cell D75 was inadvertently left out of the sums in cell D77 (RR TYAR) and cell D84 (NP TYAR). Fortunately, the value of this cell is so small that it should not impact the after rates financial estimates.

DECLARATION

I, Altaf H. Taufique, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.



Dated: NOVEMBER 16, 2001

RESPONSE OF POSTAL SERVICE WITNESS THRESS TO
PRESIDING OFFICER'S INFORMATION REQUEST

POIR-4-13. Table II-1 at page 25 of USPS-T-8 shows the cumulative impact of time trends on First-Class single-piece and workshared letters for the years 1987 through 2001. Please provide the estimated impact of the same time trends on First-Class single-piece and workshared letters for each of the forecast years 2002, 2003(test year) and 2004.

RESPONSE:

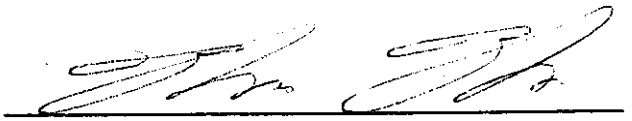
Please see the attached Table.

Table Accompanying Response of Postal Service Witness Thress to Presiding Officer's Information Request 4, Question 13
Impact of Time Trends in First-Class Letters Equations
(millions of pieces, cumulative since 1987)

	Single-Piece			Workshared			
	Logistic Trend	Internet	Total	Logistic Trend	Discount Ratio	Total	Total Letters
1988	(541.155)	(101.801)	(642.956)	880.449	317.813	1,198.261	555.305
1989	(1,213.630)	(283.145)	(1,496.775)	1,770.062	646.508	2,416.570	919.795
1990	(1,988.646)	(398.350)	(2,386.996)	2,629.041	948.618	3,577.659	1,190.664
1991	(2,848.052)	(602.992)	(3,451.044)	3,477.897	1,288.771	4,766.668	1,315.625
1992	(3,727.396)	(769.491)	(4,496.886)	4,325.526	1,619.045	5,944.571	1,447.685
1993	(4,650.356)	(891.858)	(5,542.214)	5,159.388	1,606.382	6,765.770	1,223.556
1994	(5,618.229)	(1,210.991)	(6,829.220)	5,971.865	1,925.003	7,896.868	1,067.648
1995	(6,597.245)	(1,763.106)	(8,360.351)	6,804.419	2,273.462	9,077.881	717.530
1996	(7,569.847)	(2,404.782)	(9,974.629)	7,650.155	2,505.051	10,155.206	180.577
1997	(8,561.754)	(2,895.681)	(11,457.435)	8,459.731	2,430.423	10,890.153	(567.282)
1998	(9,567.222)	(3,252.560)	(12,819.782)	9,255.657	2,730.599	11,986.256	(833.526)
1999	(10,568.597)	(3,938.613)	(14,507.210)	10,054.725	3,031.737	13,086.462	(1,420.748)
2000	(11,563.617)	(5,240.705)	(16,804.322)	10,861.872	3,320.445	14,182.317	(2,622.005)
2001	(12,531.732)	(7,480.088)	(20,011.819)	11,674.613	3,601.853	15,276.466	(4,735.353)
2002	(13,471.274)	(9,163.455)	(22,634.729)	12,476.903	3,872.240	16,349.143	(6,285.586)
2003	(14,375.684)	(10,808.405)	(25,184.089)	13,287.260	4,140.816	17,428.076	(7,756.013)
2004	(15,254.803)	(12,305.457)	(27,560.260)	14,110.323	4,407.400	18,517.723	(9,042.537)

DECLARATION

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



(Signed)

1/16-01

(Date)

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.

KC Hollies

Kenneth N. Hollies

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260–1137
November 16, 2001