

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

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POSTAL SERVICE

POSTAL RATE AND FEE CHANGES, 2001

Docket No. R2001-1

COMPLETE RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO QUESTION 4 OF
PRESIDING OFFICER'S INFORMATION REQUEST NO. 9 (ERRATA)

On January 28, 2002, the United States Postal Service filed responses to Questions 1 through 4 of Presiding Officer's Information Request No. 9. The institutional response to Question 4 consisted of three pages. Unfortunately, the second page of the response to Question 4 was inadvertently omitted from the document filed on January 28th. Accordingly, the Postal Service hereby files a complete version of the response to Question 4 of POIR 9.

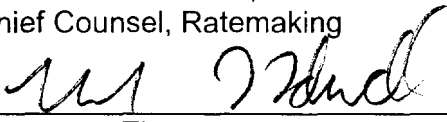
Reproduction of the complete response results in a slightly different wording break between pages 2 and 3. There are no changes in the text of the response, however. The 3-page response filed today supersedes the 2-page response filed on January 28th.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking


Michael T. Tidwell

January 31, 2002

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4. Please refer to the spreadsheet fcmrev2.xls in USPS-LR-J-84 (rev. 11/15/01). The sheet 'NONAUTO LTR DEAVG' uses volumes from the 'ENTRY PROFILE' sheet to calculate a weighted model cost. The 'ENTRY PROFILE' sheet identifies 55.56% of "Nonautomation Non-OCR Not Upgradable" letters as nonmachinable, whereas 100% of these (Not Upgradable) letters are treated as nonmachinable in the 'NONAUTO LTR DEAVG' weighted model cost calculation.

- (a) Please explain this apparent inconsistency. Include a discussion of the treatment of "Nonautomation Non-OCR Not Upgradable" letters in the parallel Standard Mail workpapers (stdrev.xls).
- (b) Provide a definition of "Nonautomation Non-OCR Not Upgradable" letters, and describe the characteristics that would make a letter machinable but "Not Upgradable".
- (c) Please provide revisions, if necessary, and discuss any impact of the revisions including changes in costs, revenues, worksharing-related savings, DPS percentages, and unit delivery costs.

RESPONSE:

The volume data contained in USPS LR-J-84, pages 50 (First-Class entry profile spreadsheet), 86 (Standard Nonprofit entry profile spreadsheet), and 87 (Standard Regular entry profile spreadsheet), were taken from mail characteristics studies conducted in 1997. At that time, nonautomation presort letters were entered in either Optical Character Reader (OCR) upgradable trays (labeled "OCR UPGR") or Non-OCR upgradable (labeled "NON-OCR") trays. There was no rate distinction between "OCR UPGR" and "NON-OCR" mail. However, "OCR UPGR" mailings had to consist of full trays. In contrast, "NON-OCR" mailings required packaging.

In addition, some mail pieces that were entered in "NON-OCR" trays were, in fact, OCR upgradable. These mail pieces were typically separated from the non-upgradable mail pieces by postal clerks and processed with the remaining OCR upgradable mail. Consequently, the entry profile data were separated into three categories: upgradable mail in "OCR UPGR" trays, upgradable mail in "NON-OCR" trays, and non-upgradable mail in "NON-OCR" trays.

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RESPONSE TO POIR NO. 9, QUESTION 4 (CONTINUED)

In accordance with Postal Bulletin 22016 (dated 1-27-00), the Postal Service formally allowed mailers the option of requesting that their mailings be processed manually. As a result of this change, nonautomation presort letter trays are now labeled as either "UPGR" (OCR upgradable mail), "MANUAL" (mail to be processed manually at the request of the mailer), or "NON BC" (all other mail pieces). There are currently no rate distinctions between these three forms of entry.

In this docket, the Postal Service has proposed the expansion of the nonstandard surcharge definition to include all nonmachinable mail pieces, whether those mail pieces are to be processed manually at the request of the mailer or not. (See USPS-T-39, Section II.A.3 for the specific requirements.) The end result will be a system where nonautomation presort letter trays will be labeled as either "UPGR" (OCR upgradable) or "MANUAL." All mail pieces in "MANUAL" trays will require manual processing and will be assessed a higher postage rate. Postal clerks will no longer have to cull through "MANUAL" trays to find residual OCR upgradable mail.

(b) The "nonmachinable" mail volume estimates found in USPS LR-J-84, pages 50 (First-Class Mail), 86 (Standard Mail Nonprofit), and 87 (Standard Mail Regular) represent those mail pieces that do not meet the machinability requirements found in USPS-T-39, Section II.A.3. The entry profile data found in USPS LR-J-84 were taken from mail characteristics studies conducted in Docket No. R97-1. Those studies also defined mail pieces as not being upgradable if they contained additional mail piece characteristics not found in USPS-T-39, Section II.A.3. These characteristics were related to address readability and mail piece codability and included: problem OCR read areas, obstructed barcode clear zones, problem address/window inserts, problem fonts,

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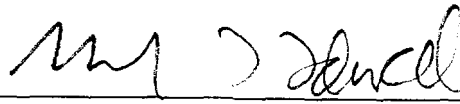
RESPONSE TO POIR NO. 9, QUESTION 4 (CONTINUED)

problem paper textures, and other characteristics specified by the respondent. All mail pieces that were classified as "NON-OCR Not Upgradable" in the entry profile spreadsheets (whether they were non-machinable, or were machinable but not upgradable) had to be processed manually. Consequently, the cost studies found in USPS LR-J-84 were developed correctly.

(c) No.

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.

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

Michael T. Tidwell

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January 31 , 2002