

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

EXPERIMENTAL RATE AND SERVICE CHANGES
TO IMPLEMENT NEGOTIATED SERVICE AGREEMENT
WITH CAPITAL ONE SERVICES, INC.

Docket No. MC2002-2

RESPONSES OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES
OF THE AMERICAN POSTAL WORKERS UNION, AFL-CIO
(APWU/USPS-3-8)

The United States Postal Service hereby provides its responses to the following interrogatories of the American Postal Workers Union, AFL-CIO: APWU/USPS-3-8, filed on December 12, 2002. The Postal Service is still developing more complete answers to Interrogatories 4 and 7 and will provide them as soon as they are available.

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
December 23, 2002

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY
OF THE AMERICAN POSTAL WORKERS UNION, AFL-CIO

APWU/USPS-3. In reference to the USPS response to Oral Request of Chairman Omas at Tr. 2/342, filed December 9, 2002, please refer to the comment on page 3 that states: "Mail carrying yellow forwarding labels can often be processed on the Postal Service's sortation equipment as the labels can contain POSTNET barcodes and machine-readable text."

- a) Please provide an estimate of what percentage of yellow forwarding tags in 2000 and currently contain POSTNET barcodes and machine-readable text.
- b) Are the percentages provided in response to part a) the percent of forwarded mail that the Postal Service would expect to be handled by automated equipment?
- c) Do you expect these percentages to change with the implementation of Phase I of PARS? If so by how much? Please explain your answer.

RESPONSE:

It is unclear what information Subpart (a) seeks and cannot be answered. As a result, subparts (b) and (c) cannot be answered, as well. However, the Postal Service references its response to OCA/USPS-12, filed on December 20, 2002, which may provide the information sought.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY
OF THE AMERICAN POSTAL WORKERS UNION, AFL-CIO

APWU/USPS-4. In reference to the USPS response to Oral Request of Chairman Omas at Tr. 2/342, filed December 9, 2002, please refer to the following statement on page 4:

"Based on the available information, it is the Postal Service's best estimate that in FY2002 slightly less than half of return to sender pieces received a verified POSTNET barcode and were possibly processed on automation."

Would this also be the percentage of returned mail that received a verified POSTNET barcode in FY2000, the year that this response indicates is the basis for the cost estimates?

RESPONSE:

The Postal Service does not expect the FY 2000 numbers to be any different from the FY 2002 numbers. It will provide the FY 2000 information when it becomes available.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY
OF THE AMERICAN POSTAL WORKERS UNION, AFL-CIO

APWU/USPS-5. In reference to the USPS response to Oral Request of Chairman Omas at Tr. 2/342, filed December 9, 2002, please refer to the following statement on page 4: "Thus returns are frequently handled manually throughout the system and, if so, the processing costs are very high."

- a) Please confirm that if the piece does not receive a verified POSTNET barcode in the return to sender processing, then it will be handled "manually throughout the system."
- b) Please describe what is involved in handling returns "manually throughout the system."
- c) Will any mail that receives a verified POSTNET barcode during the return to sender process be handled "manually throughout the system"? If so why?

RESPONSE:

- a) Confirmed that is generally the case.
- b) The testimonies of witnesses Kingsley and Miller in Docket No. R2001-1 describe the manual processing of letters.
- c) Local operating decisions may result in some barcoded mail receiving some manual handling.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY
OF THE AMERICAN POSTAL WORKERS UNION, AFL-CIO

APWU/USPS-6. In reference to the USPS response to Oral Request of Chairman Omas at Tr. 2/342, filed December 9, 2002, please refer to and clarify the descriptions on page 5:

- a) What is considered to be the "standard processing" for returned mail? Is "standard processing" the steps listed by witness Wilson in his response to OCA/USPS-T4-20 or is it something else? The "special procedures" listed seem to be what witness Wilson describes.
- b) If "standard processing" is not as witness Wilson described in OCA/USPS-T4-20, please describe the steps in standard processing.
- c) Does the Postal Service specify to its managers the expected handling procedures for returned mail or does each manager determine that for his or her plant?
- d) Are there any circumstances under which pieces of returned mail going to one address would be consolidated and returned in one package as opposed to each piece being handled separately?

RESPONSE:

- a) This statement merely meant to explain that Postal Service operations are generally set up to deliver mail from origin to destination and not to return it from destination back to origin.
- b) "Standard processing" was meant to refer to the processing of mail from origin to destination.
- c) Final plant operating decisions are made at the local level.
- d) Yes. It is possible that returned mail could be consolidated in some way.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY
OF THE AMERICAN POSTAL WORKERS UNION, AFL-CIO

APWU/USPS-7. In reference to the USPS response to Oral Request of Chairman Omas at Tr. 2/342, filed December 9, 2002:

- a) Please describe, in detail, which procedures for returned mail are expected to change with the implementation of PARS, Phase I.
- b) Please estimate for the three years of this proposed Negotiated Service Agreement, the percentage of returned mail that will be handled with automation equipment versus handled manually throughout the system, given the implementation of PARS Phase I.

RESPONSE:

a-b) The main goal of PARS as listed in the Decision Analysis Report (DAR) filed under protective conditions is to improve the handling of forwarded pieces. The Postal Service is developing a more complete answer and will supply it shortly.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY
OF THE AMERICAN POSTAL WORKERS UNION, AFL-CIO

APWU/USPS-8. In reference to the USPS response to the Oral Request of Commissioner Goldway at Tr. 2/396-7 filed on December 6, 2002, please explain how the results of this analysis change if the alternative growth assumptions begin in the Test Year rather than in year two?

RESPONSE:

Intuitively, the short answer to the question is that as more extreme hypotheticals are considered, more extreme results are obtained. Thus, in the third year, if 20 and 30 percent assumptions of volume growth produced a negative financial impact for that year in the previous response, assumption of even higher volume growth would produce even more negative financial impacts for that year. Plus, under the stipulated hypothetical, the current test year projection of an approximate financial benefit of \$8.2 million would be replaced with the lower positive amounts shown in the previous response for Year 2 under assumptions of 10 and 15 percent volume growth. Of course, those amounts for Year 2 would likewise be replaced by the negative figures shown in the earlier response for Year 3 at assumed growth rates of 20 and 30 percent. Therefore, even without actually doing the calculations, it is fairly evident that the cumulative three-year impact under both an assumed 10/20/30 growth scenario and an assumed 15/30/45 growth scenario would be negative. On the other hand, under similar volume decline scenarios, the impact figure for each year would still be positive, and the cumulative three-year impact would still be considerable.

These results are hardly surprising. Whether one confines analysis to a single test year (as is customary in postal ratemaking and as the Commission requires under its rules), or extends the analysis over a longer time period (e.g., the expected length of the rate cycle, or the specified length of an NSA), it is always possible to find

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY
OF THE AMERICAN POSTAL WORKERS UNION, AFL-CIO

assumptions extreme enough to suggest a negative financial result. The relevant question is how realistic are the operative assumptions? The Postal Service's response to the previous question explained why it believes that volume changes of the magnitude specified therein are far less likely than more modest volume changes. By extension, the more extreme volume swings postulated in this question are even less likely. If one embraces as a necessary component of the hypothetical that that the sky will fall, consequent analysis will tend to do little more than confirm that the sky has fallen.

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
November 25, 2002