

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
TO INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE
REDIRECTED FROM WITNESS FRONK
(OCA/USPS-T32-53-54)

The United States Postal Service hereby provides responses to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-T32-53-54, filed on August 28, 1997, and redirected from witness Fronk.

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


Anthony F. Alverno

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September 11, 1997

RESPONSE OF UNITED STATES POSTAL SERVICE TO
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OCA/USPS-T32-53. Please refer to the response of Postal Service witness Plunkett to interrogatory OCA/USPS-T3-1 in Docket No. MC97-5. The interrogatory in general posed questions about a survey's finding that customers of a pack-and-send service systematically paid postage that was too high. Witness Plunkett, in response to OCA/USPS-T3-1(f), states: "The Postal Service does not plan to require that clerks communicate this [risk of overpayment] to customers." In response to OCA/USPS-T3-1(g), witness Plunkett asserts that administering a repayment system "would be very difficult to administer" In short, it appears that the Postal Service will not refund moneys to customers who overpay postage during a pack-and-send transaction.

- a. How is this position of the Postal Service witness in Docket No. MC97-5 consistent with the Postal Service's stated concern about consumers who knowingly or out of confusion *underpay* First-Class postage, i.e., the so-called "two-stamp" problem?
- b. Is it the Postal Service's position that it cares when customers pay *too little* postage but does not care if they pay *too much*?
- c. Can the Postal Service explain its concerns over First-Class Mail customers who *knowingly* pay too little First-Class postage when the import of witness Plunkett's testimony is that the Postal Service will *knowingly* keep postage overpayments made during a pack-and-send transaction?

OCA/USPS-T32-53 Response:

a-c. This question rests on the mistaken premise that shortpayment of postage for ordinary First-Class Mail and postage estimation techniques for packaging service are comparable. The means of acceptance and method by which postage is determined for these two services differ substantially; consequently, there is no inconsistency in the payment policies for these services.

First, as a general matter, the Postal Service intends that all customers pay the applicable postage and fees for the products and services that they use. In the case of packaging service, the nature of the service does not lend itself to

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precise determination of weight at the time the retail transaction is culminated; consequently, postage must be estimated prior to packaging. (see Docket No. MC97-5, USPS-T-3, pp. 11-13). As a result, due to variances in the materials (particularly filling materials) used, there will be instances where the estimate of postage does not match the applicable postage for the article once it is packaged. That the Postal Service does not intend to inform customers of the risk of overestimation is not unreasonable: the Postal Service proposes the *retention of overpayments to cover situations where postage is underestimated.* In this manner, packaging service overpayments and underpayments should balance, thereby protecting ratepayers of other services from the risk of having to cover the costs associated with underestimation of postage for packaging service articles. This does not reflect a lack of concern on the part of the Postal Service for packaging service customers who will overpay postage based on estimates. Precision is the ultimate goal, and the Postal Service is committed to achieving that objective to the extent practicable. Indeed, as witness Plunkett succinctly explains in his testimony, the Postal Service's experience with the pilot test of Pack & Send service, and the conclusions from its study of estimation techniques in USPS LR-5/MC97-5, serve as useful tools for improving estimation techniques in the future. See Docket No. MC97-5, USPS-T-3, pp. 17-18.

Unlike packaging service transactions, First-Class letters are not subject to postage estimation variances. These pieces are prepared for mailing by the

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mailer prior to acceptance; consequently, their weight and other characteristics affecting the applicable rate can be ascertained at the time of acceptance.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES
OF THE OCA REDIRECTED FROM WITNESS FRONK

OCA/USPS-T32-54. The August 14, 1997 issue of the Advertising Mail Marketing Association ("AMMA") Bulletin disclosed that AMMA had sent a letter to U.S. Postal Service chief marketing officer Allen Kane, questioning the Postal Service on its progress in the development and the deployment of the Automated Barcode Evaluator (ABE). AMMA reprinted its specific questions and Postal Service responses. Please supply the AMMA letter to Mr. Kane and the Postal Service letter sent in response.

RESPONSE: Please see attached.



July 18, 1997

Mr. Gene Del Polito
President
Advertising Mail Marketing Association
1333 F Street NW, Suite 710
Washington, DC 20004-1146

Dear Mr. Del Polito:

This is in response to your May 28 letter regarding your concerns and questions with the Automated Barcode Evaluator (ABE) program. The following respond to your specific questions:

- Comparative data to the 1992 GAO report is unavailable at this time. However, based on initial ABE evaluations last year, 20 percent of customer applied barcodes failed to reach minimum acceptance criteria. Since that time improvements to the equipment and increased customer awareness show that currently only 7 percent of customer applied barcodes fall below that level.
- Acceptance procedures exist to ensure that all mailings are properly prepared and proper postage is collected before a mailing enters the mailstream. Our presort verification procedures determine whether or not bulk mailings have been properly prepared. ABE will be used to verify barcodes on mail pieces for which automation rates have been claimed.
- BarQuest consists of a desktop scanner and tracking software. An operator or mail processing supervisor can scan in rejected mailings and create a database entry, to be forwarded to the account manager and Mailpiece Design Analyst for evaluation. The user has to look at the image as if it were the actual mailpiece, and try and determine why the piece rejects. These images are insufficient for all but the most obvious readability problems, and they cannot be used for accurate measurements. On the other hand, ABE evaluates actual pieces in real time and provides valuable feedback to customers and the USPS.
- The USPS guarantees consistency between sorters via the use of set procedures and the running of test decks. These maintenance activities help ensure that barcodes which meet USPS DMM requirements will read consistently across the entire sorter fleet. However, mailpieces containing marginal barcodes may in fact not produce identical results from machine to machine, due to minor variations in mailpiece presentation (either machine produced or from mailpiece insert slippage) from run to run.
- ABE does function differently than the USPS fleet of sorting equipment. To ensure barcoded mailings will be readable on all automation, the USPS must maintain tighter standards in upstream processes. Barcoded mailings may be processed through multiple machines at multiple sites. Marginal barcodes would then pose a problem. It is critical that a "margin of safety" be maintained between ABE's capabilities and the capabilities of our deployed fleet of barcode readers.
- ABE is designed to evaluate barcodes at a level that will ensure readability on all USPS barcode sorting equipment. This technology best fits the criteria requested by our engineers to make efficient use of automation at all facilities.

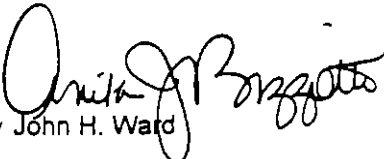
- Our engineers and the ABE manufacturer are working to ensure all equipment functions consistently. A test deck will also be used to monitor the consistency of each ABE.
- Historically, customers have told us that "eyeballing" mail pieces is inconsistent and unreliable. ABE provides an objective tool to accurately measure the print quality of barcodes.
- Business mail acceptance reference cards, reflecting all of the changes as a result of classification reform, were sent out last year to all employees in acceptance units as well as postmasters. In addition, these employees received extensive training on the new requirements.
- Regarding laser and ink-jet printed barcodes which have shown to produce a higher quality barcode, if this technology is not calibrated correctly and quality controls are not adhered to, unreadable barcodes can be produced. Impact printed barcodes continue to perform at a lower rate than laser or ink jet.
- We have not gathered data and have no plans to compile data identifying specific customers or geographic areas producing unreadable barcodes. The evaluation process will notify customers when errors occur and encourage those mailers to correct the problem. We see no value in pointing out such incidences of specific customers or geographically.
- While some may feel that ABE may be, as you so eloquently describe, "a nuclear device designed to kill a gnat", it is our position that ABE is an efficient and effective tool designed to neutralize the negative impact of unreadable barcodes.

In regard to all your questions and concerns you presented, the ABE Technical Advisory Group has done an exemplary job reviewing options and suggesting ways to make ABE successful. This group was formed to ensure that the ABE program is not implemented until it operates as intended. They have been very instrumental in moving forward changes to the program such as, machine modification, levels of acceptance, operating procedures and alternate methods of barcode evaluation. Kathy Siviter of your staff has been an important part of that process. Please thank her for her input and participation.

Please rest assured we will continue to monitor the equipment's performance and the implementation process to ensure the results remain within expected parameters and that customers are provided with sufficient feedback to minimize deficiencies and improve barcode quality.

Thank you for sharing your comments regarding this program. If you have any questions or require additional information, feel free to contact Paulette Kelly at (202) 268-6892.

Sincerely,


John H. Ward

cc: Allen Kane
Anita Bizzotto
Paulette Kelly
John Sadler

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Celebrating Our 50th Year

May 28, 1997

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Mr. Allen Kane
Chief Marketing Officer
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Washington, DC 20260-2400

Dear Allen:

While at the New Orleans Forum, I had the occasion to speak with a number of people who are among my members about the progress being made on the development and deployment of the Automation Barcode Evaluator (ABE). While most people understand that the genesis of the Postal Service's drive toward ABE's development came from the General Accounting Office (GAO) report on mail acceptance procedures, there still are questions as to why the Postal Service chose ABE for its evaluation system as opposed to other alternative procedures and/or equipment. It's gotten to the point now that I no longer can answer all the questions that are posed to me without some assistance from you and your staff.

Here are some of the questions to which I have no good answers.

- What is the incidence of barcode reading errors on barcoded mailings now being prepared by mailers? The GAO makes reference to a 7.4% reject rate, which was last determined in FY 92. Is that figure still valid, or has the quality of mailer-applied barcodes improved to any appreciable degree since then?
- If the error rate is no greater than the five percent allowance presently permitted under today's acceptance procedures, is the development and deployment of ABE still necessary?
- The GAO makes reference to "Barquest" as a device for determining barcode readability. In what ways are Barquest and ABE the same or different? If they are different in any form or substance, what made the Postal Service select ABE over Barquest? [Several of our lettershop members have reported that facilities who have had the Barquest device often have left it unused.]
- Mailers often report that mail that "fails" on one barcode sorter works perfectly fine on another. Reportedly, local postal officials have ascribed these sorts of failures to machines that are "out of spec." How often is this the case, and could this possibly be the cause of most barcode sorter read errors?
- Mailers have reported that mail which fails on an ABE device often works quite well on barcode sorters. In what ways are the devices

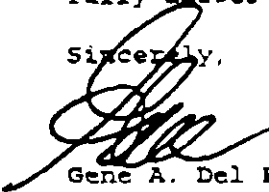
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used to read barcodes on actual in-the-field sorters the same or different from the scanners (readers) used with ABE devices?

- If field barcode sorters are what ultimately is being used to sort barcoded letters, and if there are appreciable differences in the performance of barcode sort read heads and ABE devices, why has the Postal Service sought to use a device that very imperfectly replicates what can be expected in the real world? Why, for instance, has the Postal Service not sought to develop a simpler replicate of the device used on sorters in the field in lieu of something such as ABE?
- Mailers have reported that tests run on ABE can differ remarkably depending on which ABE device is used. Doesn't this seem to suggest a lack of reliability and validity within such a measurement instrument?
- The GAO seemed critical of "eyeballing" barcodes to determine which were unreadable. But does the Postal Service have any data that suggests "eyeballing" fails to catch unreadable barcodes? If not, why not?
- To what degree is the problem articulated in GAO's report a matter of a failure to train properly mail acceptance clerks as opposed to heinous behavior on the part of mailers? What steps has the USPS taken to rectify any training-related problems?
- Mailers suspect that the largest proportion of barcode read errors are produced by impact printers as opposed to laser or ink-jet. How true is this? And if it is true, is the read-error rate of laser or ink-jet applied barcodes of such insufficient quality as to require a device such as ABE?
- Does the Postal Service have any data that indicates whether barcode read errors predominantly originate with specific mailers or within specific geographical areas?
- Finally, is this "solution" a sufficient fit to the "problem," or is the Postal Service about to approach this issue with a "solution" that amounts to using a nuclear device to kill a gnat?

I know these inquiries may seem irksome. Nonetheless, the communication challenge I face, the Postal Service ultimately must face as well. I'd appreciate whatever you could do to provide me with sufficient information to fully answer these sorts of inquiries. Thanks.

Sincerely,



Gene A. Del Polito
President

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.


Anthony F. Alverro

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September 11, 1997