

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

RECEIVED  
SEP 11 4 54 PM '97  
POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS  
ALEXANDROVICH TO INTERROGATORIES OF DOUGLAS F. CARLSON  
(DFC/USPS-T5-1-3) AND MOTION FOR LATE ACCEPTANCE

The United States Postal Service hereby provides responses of witness Alexandrovich to the following interrogatories of Douglas F. Carlson: DFC/USPS-T5-1-3, filed on August 29, 1997. While these responses are being filed within 14 days of receipt by the Postal Service, and filing at the Postal Rate Commission, they were mailed to the Postal Service on August 25, 1997, more than 14 days ago. If these responses are therefore late, the Postal Service moves for late acceptance. The Postal Service is sending these responses by Express Mail to Douglas F. Carlson. 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

  
Susan M. Duchek

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
(202) 268-2990; Fax -5402  
September 11, 1997

Response of United States Postal Service Witness Alexandrovich  
to  
Interrogatories of Douglas F. Carlson

**DFC/USPS-T5-1.** Please refer to Exhibit USPS-5C at 15. Please explain why the revenue per piece for single-piece cards, 20.5 cents, is higher than the rate, 20 cents.

**Response to DFC/USPS-T5-1**

It is my understanding that overpaid postage is the primary reason that the revenue per piece is higher than the rate for single-piece cards.

Response of United States Postal Service Witness Alexandrovich  
to  
Interrogatories of Douglas F. Carlson

**DFC/USPS-T5-2.**

a. Please provide the Base Year 1996 per-piece revenue and per-piece volume-variable costs for stamped cards. Please specify whether these costs include the manufacturing costs of the cards.

b. If the information requested in part (a) is not available for Base Year 1996, please provide the information for the most-recent period for which it is available.

c. If the information requested in part (a) is not available for Base Year 1996, please explain all reasons why the Postal Service stopped collecting data for stamped cards separately from all single-piece cards. In addition, provide all documents that direct or explain this change in reporting. (Please note my definition of "documents," which is provided in my interrogatories to witness Fronk (DFC/USPS-T32-1-7).)

**Response to DFC/USPS-T5-2**

- a. In the Base Year 1996, the costs for stamped cards and private postcards were combined into one category as 'single-piece cards.' Costs were not developed individually for either of these two categories, and therefore cannot be provided for stamped cards only. Base Year revenues were not affected by this change.
- b. The FY 1996 CRA is the most recent period in which stamped cards and private postcards are costed separately. The Postal Service's FY 1996 CRA was filed with the Commission on July 9, 1997 pursuant to the periodic reporting requirements. The relevant page of that report is Attachment I to this response.
- c. The Postal Service combined the collection of cost data for private postcards and stamped cards in the July 1, 1997 release of data

Response of United States Postal Service Witness Alexandrovich  
to  
Interrogatories of Douglas F. Carlson

**Response to DFC/USPS-T5-2 (continued)**

collection guidelines for IOCS, TRACS, and CCS, which has been filed as LR-H-13, *Statistical Programs Guidelines, Special Classification Reform*.

It is my understanding that this change was made primarily for two reasons:

- (1) it was difficult for data collectors to distinguish between the two types of cards, and
- (2) the new treatment is consistent with the treatment of stamped envelopes.

The difficulty in properly distinguishing between the types of cards was the result of two factors. First, in terms of appearance, both types have similar shape and weight, and second, in terms of classification, both types are nonpresorted First Class Mail. The move towards a more consistent treatment with Stamped Envelopes was presented in Docket No. MC96-3.

In addition to LR-H-13, two additional documents directing and explaining this change are included with this response as Attachments 1 and 2.

COST AND REVENUE ANALYSIS - STATISTICS BY CLASS OF MAIL  
FIRST-CLASS MAIL, PRIORITY MAIL, EXPRESS MAIL, AND MAILGRAMS  
Fiscal Year 1996

Category	REVENUE AND COST RELATIONSHIP									
	First Class	Letters & Sealed Parcels (including flats & IPPs)	Private	Total	First-Class Mail	Priority Mail	Express Mail	Mailgrams		
Per piece (cents):	39.1	27.7	20.1	20.6	16.9	33.7	354.4	1,279.8	38.0	
Revenue.....	27.7	20.1	20.6	16.9	33.7	354.4	1,279.8	38.0		
Attributable cost.....	10.6	7.6	18.7	7.4	19.3	175.0	883.1	6.2		
Revenue less attributable cost.....	17.1	12.5	1.9	9.5	14.4	179.4	396.7	31.8		
Per pound (cents):	869.5	3,218.6	3,248.8	2,159.1	823.9	212.5	1,156.2	N/A		
Revenue.....	268.8	1,217.4	2,950.5	944.8	470.7	105.0	797.9	N/A		
Attributable cost.....	431.5	2,001.2	298.3	1,214.3	353.2	107.5	358.3	N/A		
Revenue less attributable cost.....	290.0	431.5	2,001.2	298.3	1,214.3	107.5	358.3	N/A		
VOLUME STATISTICS										
Pieces (thousands).....	64,150,759	39,057,193	454,006	2,598,099	1,956,017	98,216,074	937,273	57,573	4,204	
Weight per piece (ounces).....	0.7	0.6	0.1	0.1	0.1	0.7	26.7	17.7	N/A	
Weight per cubic foot (pounds).....	N/A	N/A	N/A	N/A	N/A	13.8	12.6	7.1	N/A	
Weight in pounds (thousands).....	2,437,451	1,547,383	2,838	16,493	15,353	4,019,518	1,562,801	63,727	N/A	
Cubic feet (thousands).....	N/A	N/A	N/A	N/A	N/A	288,227	123,620	9,001	N/A	



January 18, 1996

**DAN FOUCHEAUX AND ASHLEY LYONS**

**SUBJECT: In-Office Cost System (IOCS) Enhancements**

Attached are the In-Office Cost System (IOCS) FY 97 enhancements that my staff has discussed over the past few months with you or members of your staff. The most significant change is combining postal cards with private cards, which means that postal cards will no longer appear as a line item in the CRA.

I am also attaching the changes that we made for PQIII, FY 96, for your information.

Please review and let me know if there are any concerns with the proposed changes.

A handwritten signature in black ink, appearing to read "Frank Heselton".

Frank Heselton

cc: John A. Reynolds  
Karen Meehan

Attachments

# FISCAL YEAR 1997 IOCS SYSTEM IMPROVEMENTS

1/12/96

## TABLE OF CONTENTS

<b>QUICK FIXES THAT COULDN'T BE DONE QUICKLY</b>	<b>2</b>
<b>LONG TERM FIXES</b>	<b>3</b>
<b>TOPICS FOR TRAINING</b>	<b>4</b>
<b>CHANGES TO F-45 HANDBOOK</b>	<b>4</b>

**QUICK FIXES THAT COULDN'T BE DONE QUICKLY**

1. Q23C, MARKINGS/ENDORSEMENTS,

ADD NEW ITEMS: BOUND PRINTED MATTER, SPECIAL FOURTH-CLASS RATE, BARCODED, ADDRESS CORRECTION REQUESTED, FORWARDING AND RETURN POSTAGE GUARANTEED, FORWARDING AND ADDRESS CORRECTION REQUESTED, DO NOT FORWARD; DO NOT RETURN, LIBRARY RATE.

RATIONALE: THESE ARE ENDORSEMENTS THAT ARE CURRENTLY MISSING FROM THE LIST

2. Q23D, SUPPLEMENTAL SERVICES

ADD: MERCHANDISE RETURN

RATIONALE: THIS SERVICE IS CURRENTLY MISSING FROM THE LIST.

3. IN Q18A, ADD A MODS LOOK-UP FILE

RATIONALE: CHECKS FOR INCORRECTLY ENTERED MODS CODES

4. IN Q16A, ADD A MODS LOOK-UP FILE

RATIONALE: CHECKS FOR INCORRECTLY ENTERED MODS CODES

5. IF Q15C (i), ADD A MODS LOOK-UP FILE

RATIONALE. CHECKS FOR INCORRECTLY ENTERED MODS CODES



## LONG TERM FIXES

1. Q21,

IF Q21 = C (HANDLING CONTAINER) THEN ADD QUESTION, "WHAT OPERATION IS THE CONTAINER GOING TO?" THE OPTIONS ARE Q19 RESPONSES, MODS CODES, "NOWHERE" OR "OTHER"

RATIONALE: THIS INFORMATION IS NEEDED FOR BETTER COST ALLOCATION

2. Q22, SHAPE,

- COMBINE POSTAL CARDS (B) , PRIVATE MAILING CARDS (C) AND OTHER AGENCY CARDS (E) INTO A SINGLE CATEGORY - CARDS. [IF Q22=B OR C OR E, THEN Q22 = CARD]

- RATIONALE: WE NO LONGER HAVE A NEED TO IDENTIFY POSTAL CARDS SEPARATELY.

3. Q22, SHAPE,

IF SHAPE = USPS FORM (D) THEN DELETE SCREEN WORDING "PENALTY INDICIA" AND ADD A LIST OF FORMS TO CHECK: 3811 UNATTACHED, 3811-A UNATTACHED, 3547, 3579, (SPLIT 3547/3579), 3575, 3804, 3806, 3849, 3849-D & 'OTHER' FORM, THEN SKIP TO Q23D. ADD INSTRUCTION SAYING "ONLY SELECT ONE OF THESE IF THE FORM IS NOT ATTACHED TO THE MAILPIECE."

RATIONALE: THIS SIMPLIFIES AND STREAMLINES BOTH Q22 AND Q23D

4. Q22 SHAPE,

IF SHAPE = KEYS AND ID ITEMS (L), THEN SKIP TO Q26

RATIONALE: THIS REDUCES THE WORK FOR THE DCT.

5. IN Q23B, CLASS

IF CLASS IS EXPRESS, TAKE OUT POP-UP SCREEN THAT ASKS METHOD OF PAYMENT AND TAKE CARE OF THAT INFORMATION IN Q23C, MARKINGS

RATIONALE: THIS REDUCES THE NUMBER OF KEYSTROKES AND SCREENS THE DCT HAS TO USE.

6. IN Q23C, MARKINGS,

PUT LITERAL MARKINGS IN QUOTES, FOR CHOICES A,B,C,D,E,F,H,K,L ,M,N, O, P,Q, (ALL BUT G,I,J,R,S,T)

RATIONALE: THIS ADDS CLARITY

7. Q23D, SUPPLEMENTAL SERVICES,

DELETE OPTIONS 3811 (A), 3811-A (B), FORM 3547/3579 (C), AND 3575 (G).

RATIONALE: THIS MAKES MORE LOGICAL SENSE THAN THE CURRENT CHOICES IN Q23D, GIVEN THE CHANGES TO Q22.

### TOPICS FOR TRAINING

1. EXPLAIN INDICIA, KEYS, POSTAL CARDS, THIRD-CLASS OUNCE RATE AND PERMIT IMPRINT.
2. EXPLAIN THAT NONPROFIT AND BULK ARE ASSOCIATED WITH THIRD-CLASS, NOT FIRST-CLASS, AND THAT THESE WORDS MUST APPEAR ON THE PIECE IN ORDER TO BE MARKED
3. REINFORCE THE FACT THAT Q23 ASKS ONLY FOR WHAT IS MARKED ON THE PIECE, NOT A JUDGMENT OF THE DATA COLLECTOR. (E.G. BULK RATE, NONPROFIT, ZIP+4, ZIP+4 BARCODED)
4. EXPLAIN THE DIFFERENCE BETWEEN Q23C AND Q23D - Q23C ASKS ABOUT THE MARKING ON THE PIECE Q23D ASKS ABOUT THE SERVICE BEING PROVIDED, REGARDLESS OF THE MARKING ON THE PIECE.
5. EXPLAIN WHAT A DETACHED ADDRESS CARD IS AND HOW IT IS USED
6. CLARIFY THE FACT THAT A MARKING CAN BE FOUND ANYWHERE ON THE PIECE, INCLUDING IN THE INDICIA (E.G. BULK AND NONPROFIT)
7. EXPLAIN HOW TO IDENTIFY AND CODE A USPS FORM THAT IS ALSO A BUSINESS REPLY PIECE.
8. EXPLAIN WHAT SPECIAL HANDLING AND SPECIAL DELIVERY IS.

### CHANGES TO HANDBOOK

1. IF WE CONSOLIDATE THE "CARDS" SHAPE IN QUESTION 22, EXPLAIN THE NEW CATEGORY.
2. ADD ALL THE ENDORSEMENTS AND EXPLAIN THEM.
3. UPDATE THE DEFINITION OF COMPUTERIZED POSTAGE IN Q23A AS WELL AS THE EXAMPLES OF IT IN THE F-46 HANDBOOK.
4. REVISE THE INSTRUCTION ON PAGE 109, K. "MAILGRAM"
5. ON PAGE 115, "INSTRUCTIONS FOR ADDRESS CORRECTION ON PIECE," THE SECOND PARAGRAPH NEED TO BE CHANGED TO READ: ADDRESS

CORRECTION IS PROVIDED WITHOUT CHARGE ONLY TO ON-PIECE  
CORRECTION AND OTHERWISE THERE IS A CHARGE.

6. Q23A, INDICIA, WE NEED TO CHANGE THE WORDING OF CHOICE H  
'POSTAL SERVICE' BECAUSE ITS DEFINITION OVERLAPS WITH CHOICE B,  
OFFICIAL STAMPS WE ALSO NEED TO ADD A LINE DESCRIBING EXPRESS  
MAIL CORPORATE ACCOUNT.

7. IN Q23B, CLASS, WE NEED TO UPDATE THE F-45 TO SHOW THIRD CLASS  
NONPROFIT, THIRD-CLASS SINGLE PIECE, AND BSPS IS NO LONGER  
AVAILABLE.

## IN-OFFICE COST SYSTEM (IOCS)

### I. DATA ENTRY (VERSION 7.0)

#### A. Screen 22 (SHAPE - SINGLE PIECE)

1. Former options "B. Postal Card," "C. Private Mailing Card," and "E. Other Agency Card" have been combined into a single option, "B. Card." The remaining options on the screen have been renumbered (see *Classification Reform Guidelines*, p. 80).
2. Former option "D. USPS Form (Penalty Indicia)" is now "C. USPS Form." When it is selected and <Enter> is pressed, a new "USPS FORM" window pops up (see *Classification Reform Guidelines*, p. 83) that requires one of the following options to be selected:
  - a. Form 3811 Unattached
  - b. Form 3811-A Unattached
  - c. Form 3547
  - d. Form 3575
  - e. Form 3804
  - f. Form 3806
  - g. Form 3849
  - h. Form 3849-D
  - i. Other

If "i. Other" is selected, a descriptive remark is required. When any of the above selections is made, the program will skip to the "ADDITIONAL SERVICES" screen, then to the origin/destination section, and then to the "BASIC FUNCTION" screen.

3. If option "J. Keys and Identification Items" is chosen, the program will skip to the "BASIC FUNCTION" screen.
4. The questions "Automation Compatible?", "Is It Barcoded?", "Print Type," and "Bar Code Location" have been replaced with one question designed to determine whether the mailpiece has an automation rate barcode (see *Classification Reform Guidelines*, p. 84). There is no longer any need for a template to determine automation compatibility.
5. The help text that is displayed by pressing <F1> while on Screen 22 has been updated to reflect the screen changes.

#### B. Screen 23A (TYPE OF POSTAGE OR INDICIA)

Option "S" has been changed from "Express Mail Corporate Account" to "Express Mail Corp./Fed./USPS Acct." Select this option for an Express Mail piece that bears an account number of any kind.

Response of United States Postal Service Witness Alexandrovich  
to  
Interrogatories of Douglas F. Carlson

**DFC/USPS-T5-3.** Please refer to your testimony at page 6, lines 18-21, and page 7, lines 1-3.

a. Please explain all reasons why the "distinction between Postal Cards and Private Postcards" was eliminated in the base year. In addition, provide all documents that direct or explain this change. (Please note my definition of "documents," which is provided in my interrogatories to witness Frank (DFC/USPS-T32-1-7).)

b. Please identify, define, and explain the purpose of all data-collection systems that were "modified to combine these categories into a single line item designated as Single Piece Cards."

c. Please identify, define, and explain the purpose of all data-collection systems that were not "modified to combine these categories into a single line item designated as Single Piece Cards."

d. Please provide all examples in the past five years of a distinction between the costs for two types of mail or services having been eliminated even though the two types of mail or services had significantly different cost characteristics.

**Response to DFC/USPS-T5-3**

a. See response to 2(c) above.

b. The three cost systems, IOCS, TRACS, and CCS, were modified to combine stamped and private postcards as single-piece cards. See USPS LR-H-13, Statistical Programs Guidelines, Special Classification Reform, pages 31, 46, 79 and 80. IOCS collects data on in-office costs for clerks, mailhandlers, and supervisors, as well as the in-office costs for city carriers and special delivery messengers. TRACS collects transportation cost data. CCS collects cost data on city and rural carriers.

c. All cost systems were modified to reflect this change. The Revenue, Pieces and Weight (RPW) data collection system was not changed.

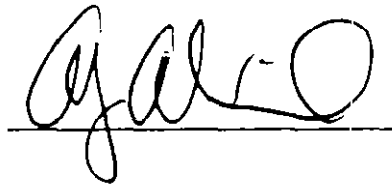
Response of United States Postal Service Witness Alexandrovich  
to  
Interrogatories of Douglas F. Carlson

**Response to DFC/USPS-T5-3 (continued)**

- d. I am unaware of any other changes besides the change to Single-Piece Cards.

**DECLARATION**

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

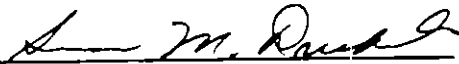


A handwritten signature in black ink, appearing to read 'Joe Alexandrovich', is written over a horizontal line.

Dated: 9/11/97

## 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.

  
\_\_\_\_\_  
Susan M. Duchek

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
(202) 268-2990; Fax -5402  
September 11, 1997