

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 NEWSPAPER ASSOCIATION OF AMERICA
(NAA/USPS-1-15)

The United States Postal Service hereby provides responses to the following interrogatories of the Newspaper Association of America: NAA/USPS-1-15, filed on August 29, 1997. Objections to interrogatory NAA/USPS-2(g) and interrogatory NAA/USPS-12 were filed on September 8, 1997.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:


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September 12, 1997

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

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September 12, 1997

ANSWERS OF U.S. POSTAL SERVICE
TO INTERROGATORIES OF THE NEWSPAPER ASSOCIATION OF AMERICA

NAA/USPS-1.

Please list all postal data systems which collect information regarding:

- a. Standard (A) Mail Regular volume:
 - (i) by weight;
 - (ii) by shape;
 - (iii) by weight and shape;
 - (iv) by rate category and
 - (a) by weight
 - (b) by shape; or
 - (c) by weight and shape.
- b. Standard (A) Enhanced Carrier Route volume:
 - (i) by weight;
 - (ii) by shape; or
 - (iii) by weight and shape;
 - (iv) by rate category and
 - (a) by weight
 - (b) by shape; or
 - (c) by weight and shape.
- c. Periodicals Mail volume:
 - (i) by weight;
 - (ii) by shape; or
 - (iii) by distance
 - (iv) by rate category
 - (a) by weight;
 - (b) by shape; or
 - (c) by distance.

NAA/USPS-1.

RESPONSE:

- a. Standard (A) Mail Regular volume:
 - (i) RPW and Non-countable Subsystem System;
 - (ii) RPW and Non-countable Subsystem (letter vs. non-letter, except flat shape for automation presort), and ODIS;

(iii) RPW and Non-countable Subsystem
(letter vs. non-letter, except flat shape
for automation presort);

(iv)

(a) RPW and Non-countable
Subsystem;

(b) RPW and Non-countable Subsystem
(letter vs. non-letter, except flat
shape for automation presort), and

(c) Not applicable.

b. Standard (A) Enhanced Carrier Route volume:

(i) RPW and Non-countable Subsystem
System;

(ii) RPW and Non-countable Subsystem
(letter vs non-letter, except flat shape for
automation presort), and ODIS;

(iii) RPW and Non-countable Subsystem
(letter vs non-letter, except flat shape for
automation presort);

(iv)

(a) RPW and Non-countable
Subsystem;

(b) RPW and Non-countable Subsystem

(letter vs non-letter, except flat

shape for automation presort), and

(c) Not applicable.

c. Periodicals Mail volume:

(i) Non-countable Subsystem System;

(ii) Non-countable Subsystem & ODIS;

(iii) None;

(iv)

(a) Non-countable Subsystem System;

(b) Non-countable Subsystem System.

(c) Not applicable.

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NAA/USPS-2. With respect to Postal Service Advertising:

- a. Please confirm that the Postal Service has a national advertising budget.
- b. Please confirm that in addition to this national advertising budget, each region has a regional advertising budget.
- c. In addition to the budgets referenced in a and b above, are there also advertising budgets in local Postal Service organizations?
- d. Please provide for the years FY 1996, FY 1997, and FY 1998 the aggregate amount spent (or budgeted in the case of FY 98) by the Postal Service on advertising in the national budget and each regional budget.
- e. Please indicate whether these advertising expenditures are attributed, and if so, to what classes of mail.
- f. Please indicate whether there are separate advertising budgets for different classes or subclasses of mail.
- g. Please indicate whether for FY 1996 and FY 1997, whether the sums expended in the national and each regional advertising budget were within the appropriate budget set by the responsible postal official.
- h. Please provide citations for the answers provided.

RESPONSE:

- a. Confirmed.
- b. Not confirmed. As a general rule, Areas and other field organizations do not have advertising budgets.
- c. See the response to b.

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- d. Total actual advertising expenses For FY 1996 and total estimated advertising expenses for FY 1997 and the test year can be found on pages 388 and 450 of Library Reference H-12.
- e. Please see the response to UPS/USPS-5.
- f. Advertising is not reported or budgeted by class of mail. However, some advertising initiatives are unique to one class of mail. These typically have been for Priority, Express, Parcel Post and International mail.
- g. An objection was filed on September 8, 1997.
- h. Citations have been provided where applicable.

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NAA/USPS-3. Please provide for each year from 1994 up to and including FY 1997 the amount spent in advertising direct mail. Please provide the budgeted figure for the test year.

RESPONSE:

Advertising expenses are not reported or budgeted by class or type of mail. See the response to NNA/USPS-2f. For the amount distributed to classes of mail for FY 1994 -1996 please see the Cost Segments and Components reports for those years, available in the Postal Service or the Postal Rate Commission libraries. For FY 1997, please see the response to UPS/USPS-5.

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NAA/USPS-4. Please provide for each year from 1994 up to and including FY 1996 the amount of cost spent in advertising third class bulk business (regular) mail.

RESPONSE: Please see the response to NAA/USPS-3.

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NAA/USPS-5. Please provide for FY 1996 the amount of cost spent in advertising Standard Enhanced Carrier Route Mail.

RESPONSE: Please see the response to NAA/USPS-3.

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NAA/USPS-6. Please provide for FY 1996 the amount of cost spent in advertising Standard Regular Mail.

RESPONSE: Please see the response to NAA/USPS-3.

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NAA/USPS-7. Please provide for FY 1997 the actual to date and projected (for the remainder of the FY) amount spent in advertising (a) Standard Enhanced Carrier Route mail and (b) Standard Regular mail, stated separately if possible.

RESPONSE: Please see the response to NAA/USPS-3.

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NAA/USPS-8. Please provide for FY 1998 the projected amount of cost to be spent in advertising Standard Enhanced Carrier Route mail.

RESPONSE: Please see the response to NAA/USPS-3.

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NAA/USPS-9. Please provide for FY 1998 the projected amount of cost to be spent in advertising Standard Regular mail.

RESPONSE: Please see the response to NAA/USPS-3.

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NAA/USPS-11. Please refer to page 38 of the 1996 *Annual Report of the United States Postal Service*. In this section of the *Annual Report*, the Postal Service states that it adopted "Economic Value Added" in 1996 as a measurement to determine whether a business strategy makes sense.

- (a) Please list the reasons why the Postal Service adopted the EVA in 1996.
- (b) Please provide a numeric example which describes specifically how the Economic Value Added (EVA) is calculated for a particular project.
- (c) Please describe what guidelines are used to determine whether the EVA indicates that a business strategy makes financial sense.
- (d) The *Annual Report* indicates in 1996 the EVA was \$1.07 billion. Please describe what this number indicates and explicitly how the figure is calculated.
- (e) Please illustrate how net operating income is defined for EVA purposes.
- (f) Please define the "charge for capital" that is used in the computation of the EVA.
- (g) Please describe how the incentive payment system is affected by the EVA.

RESPONSE:

a.-g. Please refer to Library Reference H-258

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NAA/USPS-13.

- a. Please confirm that the Postal Service has developed data showing the extent of on-time performance in a variety of postal delivery services.
- b. Please confirm that the Postal Service has developed data showing the extent of on-time performance on a city-pair basis.
- c. Please confirm that the Postal Service has developed data showing the extent of on-time performance on a facility basis.
- d. Please confirm that the Postal Service has developed data showing the extent of on-time performance on a market basis.
- e. Please confirm that the Postal Service has developed data showing the extent of on-time performance on a customer specific basis.
- f. For what classes of mail have customer specific data been collected?
- g. Where the Postal Service has developed on time data on a customer specific basis, how was the customer chosen?
- h. Where the Postal Service has developed on time data on a customer specific basis, was the customer provided with the performance data?
- i. Where the Postal Service has developed on time data on a customer specific basis, was this service made available to the customer's competitor[s]?
- j. Where the Postal Service has developed on time data on a customer specific basis, was the customer charged for this service?
- k. Where is [sic] the Domestic Mail Classification Schedule or the Domestic Mail Manual are specifics for the provisions for such a public postal service?

RESPONSE:

- a. Confirmed.
- b. Some time-in-transit data has been developed on a city-pair basis.
- c. Not confirmed.
- d. Not confirmed.

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- e. Confirmed.
- f. Periodicals and Standard Mail.
- g. The decision of a mailer to participate in these programs was based on a number of criteria, including whether the mailer was willing to allow the Postal Service to obtain the information it required, and whether the mailer had pieces destinating in the locales where the Postal Service was gathering information.
- h. For Standard Mail, the participants were provided with information specific to their mailings. For Periodicals, participants were provided with aggregated information.
- i. The Postal Service did not consider the possible extent to which participants in these programs could be considered to be in competition with one another.
- j. No.
- k. The Postal Service does not agree with the characterization of these programs as a "public postal service"; these programs were used as a means for the Postal Service to gather information. They are not described in the Domestic Mail Classification Schedule or the Domestic Mail Manual.

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NAA/USPS-14.

- a. Please confirm that the United State [sic] Postal Service is providing lockbox service for American Express in a Staten Island facility.
- b. Is this lock-box service a "postal service" requiring a recommendation by the Postal Rate Commission?
- c. Will this lock-box service give rise to attributable costs in the Test Year? If so, please quantify those costs and provide an appropriate citation. If not, please explain why not.
- d. Were that service to be provided on a below-cost basis, would that service not be subsidized by other mail services?
- e. Please provide a copy of the contract, including the financial terms.

RESPONSE:

- a. Not confirmed. The Postal Service does not know what is meant by "lockbox service." However, the Postal Service is providing a retail remittance processing service for American Express.
- b. With respect to the remittance processing service (see the response to part a), no.
- c. With respect to the remittance processing service (see the response to part a), no. Any test year costs for this service are treated as "Other" costs.
- d. The service would not be subsidized by classes or subclasses of mail, or special services, except in the unlikely circumstance that the service were

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offered on a below-cost basis over the duration of the contract, during a period of time in which the Postal Service broke even overall.

- e. Objection filed September 8, 1997.

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NAA/USPS-15.

- a. Please confirm that the Postal Service is offering "telephone pole" services to wireless telephone companies (such as cellular telephone companies), at least in Illinois.
- b. Is the Postal Service offering like services to other wireless telephone companies in other locales?
- c. What is the total expected income from such services? What is the total expected expense of such services?
- d. Please state whether and how the net revenues from "telephone pole" services are reflected in the Test Year, and the extent to which these revenues have allowed domestic rates to be reduced.

RESPONSE:

a.- b. *Not confirmed as stated.* The Postal Service is leasing space at some of its facilities in Illinois and elsewhere to wireless communications providers for purposes of erecting antennae.

c. There are no known expenses. Total revenue thus far is still quite low (less than \$100,000) as the project is still in its early stages of implementation. Eventually, the Postal Service hopes to recognize total annual revenues in excess of \$10 million.

d. As revenues are received from this program, they would be reported as Other Revenue. Obviously, given the magnitude of the amount of current revenue cited in subpart c. of this response, there has, as of yet, been little opportunity for these revenues to allow domestic rates to be reduced.