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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
WITNESS CRUM TO INTERROGATORIES OF
UNITED PARCEL SERVICE (UPS/USPS-T28-22(A) & (B), 23-38)
AND MOTION FOR EXTENSION OF TIME TO RESPOND TO 22(C) & (D)

The United States Postal Service hereby provides responses of witness Crum to the following interrogatories of United Parcel Service: UPS/USPS-T28-22(a) & (b), 23-38, filed on September 12, 1997. Each interrogatory is stated verbatim and is followed by the response.

The Postal Service moves for an additional two days to respond to questions 22(c) & (d) due to the need to consult with knowledgeable personnel.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
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September 26, 1997

U.S. POSTAL SERVICE WITNESS CHARLES L. CRUM
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OF UNITED PARCEL SERVICE

UPS/USPS-T28-22. Please refer to your response to UPS/USPS-T28-14.

- (a) Confirm that to receive the proposed Parcel Post DSCF discount, drivers will be required to unload their dropshipments without Postal Service assistance. If not confirmed, please explain.
- (b) Confirm that the Parcel Post DSCF shipments eligible for the DSCF discount will be contained in sacks for machinables, and GPMCs for non-machinables. If not confirmed, please explain.
- (c) Confirm that it is current Postal Service policy that when unloading dropshipment mail at BMCs, ASFs, and SCFs, drivers will unload bedloaded mail with Postal Service assistance, and Postal Service personnel will unload containers and pallets. If not confirmed, please explain.
- (d) Describe and explain any discrepancy between the current Postal Service policy concerning Postal Service assistance at SCFs in unloading dropshipments, and the proposed requirement for drivers to unload their DSCF shipment without Postal Service assistance in order to receive the DSCF discount.

RESPONSE

- a. Confirmed that my cost analysis assumes that mailers will be required to unload their vehicles.
- b. Confirmed that my cost analysis assumes that machinable pieces will be contained in sacks and nonmachinable pieces will be contained in GPMCs.

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UPS/USPS-T28-23. Refer to Exhibit B of your testimony. Please provide the specific page and line number of USPS-T-37, which is identified in Exhibit B as the source for the "Proportion of Inter-BMC volume deposited at BMC's by mailers".

RESPONSE

Please see my response to UPS/USPS-T28-2(a).

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UPS/USPS-T28-24. Refer to Exhibit C of your testimony. Library Reference H-144 is cited in Exhibit C as support for the "FY 1996 Processing Costs" of \$23,977,000. Please explain why, in LR-H-144, Table 1, "Development of Standard (B) Parcel Post Mail Processing Costs by Basic Function," no adjustment is made for IOCS tallies for postage due, mail preparation, platform acceptance, and central mail markup as there was in Tables 1, 2 and 3 in LR-PCR-39 (Docket No. MC97-2).

RESPONSE

As described in my testimony "The costs were calculated in a slightly different way because of the new volume variability/cost pool approach incorporated into the Base Year CRA". Using my new and slightly different approach mandated by the Postal Service's proposal, it would not have been possible to make the adjustments as such.

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UPS/USPS-T28-25. Refer to page 5, lines 27-29, of your testimony. You state that "Exhibit G results are contingent on the assumption that DSCF will not be allowed at those SCFs that are bypassed by the 12.3 percent of parcel volume that gets direct transportation from the BMC to the delivery unit."

- (a) What is the basis for this assumption?
- (b) Please explain whether there will be a regulation disallowing DSCF at certain SCFs.
- (c) Please describe how this regulation will work in practice.
- (d) Please explain which SCFs will not allow DSCF and whether it will be for some or all addresses served by the SCF.
- (e) If this regulation limiting DSCF is not instituted, do you agree that the DSCF mail processing costs avoided that you have determined are overstated? Explain your answer.

RESPONSE

a. The basis for my assumption was my understanding of Postal Service preferences at the time. If indeed I had made the opposite assumption, the difference in my estimated cost savings would be small. Please see my response to UPS/USPS-T28-25(e) below.

b,c,d. These issues have yet to be decided.

e. If I **were** to assume for purposes of my analysis that DSCF was allowed at all SCFs, my estimated cost savings would be \$.296. This simple calculation could be made by entering the unadjusted figures from USPS-T-29, Appendix V, page 3 and 4 referred to in UPS/USPS-T28-26.

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UPS/USPS-T28-26. Refer to Exhibit G, page 2 of 3, of your testimony. Please explain why "USPS-T-29, Appendix V, page 3 & 4 [was] updated to remove assumption of 12.3 percent direct transportation from destination BMC to destination delivery unit."

RESPONSE

Given that my assumption was that DSCF would not be available at those SCFs bypassed by direct transportation from the BMC to the Delivery Unit, it was, then, necessary to remove this ghost volume and have all unloading, sorting, and loading operations add to 100 percent. For example, please note on page 3 of Appendix V that witness Daniel's unloading, crossdocking, and loading at the Destination SCF do not add to 100 percent because of the estimate that 12.3 percent of parcel volume actually avoids handling at the destination SCF.

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UPS/USPS-T28-27. Refer to Exhibit C of your testimony.

- (a) Confirm that non-DBMC parcel post has a lower percentage of pieces that are machinable than does DBMC parcel post. If not confirmed, please explain.
- (b) Confirm that a machinable parcel incurs less outgoing mail processing costs at non-BMC facilities than a non-machinable parcel. If not confirmed, please explain.
- (c) Please provide an estimate of the amount by which outgoing mail processing costs are different for machinable and non-machinable parcels at non-BMC facilities. If you cannot provide an estimate, explain what analysis and data would be required to provide such an estimate.
- (d) Confirm that if DBMC has a lower percentage of pieces that are machinable, and if machinable parcels incur less outgoing mail processing costs at non-BMC facilities than non-machinable parcels, then the \$0.358 of Unit Costs Avoided identified in Exhibit C is an overestimate of the outgoing mail processing costs at non-BMC facilities avoided by the average DBMC piece. If not confirmed, please explain.

RESPONSE

- a. Please refer to my response to UPS/USPS-T28-10.
- b. Not confirmed. Please see my response to UPS/USPS-T28-10.
- c. I am not able to provide such an estimate and do not necessarily believe there would be a difference due to machinability per se in the case of DBMC versus non-DBMC parcels. Please refer to my response to UPS/USPS-T28-10 for cubic volume per piece data as that appears to be the more relevant cost driver for the types of outgoing 'mail processing' operations at non-BMC facilities described in my analysis.

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d. First, as you correctly state in question (a), LR-H-135 shows that DBMC has a higher proportion of machinable pieces, not lower. Second, I do not agree that machinable parcels will necessarily incur less outgoing 'mail processing' costs at non-BMC facilities. Please see my response to USP/USPS-T28-10. While one might logically expect that a higher proportion of machinable pieces within a rate category might lead to lower average cubic volume, this is not true in the particular case of DBMC versus non-DBMC.

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UPS/USPS-T28-28. Please refer to the table at page 3 of your response to UPS/USPS-T28-17-18.

- (a) Please cite the source from which you obtained the average number of pieces of Parcel Post per sack for machinable DSCF Drop Ship parcels. If no source is available, define the basis for your derivation of that number.
- (b) Please define the basis for the derivation of the average number of pieces of Parcel Post per sack for machinable parcels that are downstream to SCFs and Delivery units.
- (c) Explain all reasons, and provide all supporting data, why the number of pieces of machinable DSCF drop ship parcels per sack exceeds that of parcels headed downstream to SCFs and Delivery units.
- (d) Following Daniel's methodology in USPS-T-29, is it accurate to take the size of a container and divide it by the average size parcel to obtain an average number of parcels per container?
- (e) Please confirm that the same size sacks are used for machinable DSCF Drop Ship parcels and for those that are delivered "downstream to SCFs and Delivery Units". If not confirmed, please explain.
- (f) Please confirm that on average, DBMC machinable parcels are larger (in size) than Intra-BMC machinable parcels. If not confirmed, please explain.
- (g) If the answer to (e) is in the affirmative, please confirm that fewer DBMC parcels than Intra-BMC parcels would fit in the same size sack. If confirmed, explain how this was taken into account in your analysis of DSCF savings.

RESPONSE

a. The source for my assumption of 10 machinable pieces per sack is the Domestic Mail Manual (DMM). See the Quick Service Guide 700 (machinable parcels in sacks). I compared this number to the average parcels per sack on

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the postal network and found it reasonable principally based on the many reasons why network sacks might contain fewer pieces. Please see my response to UPS/USPS-T28-28(c) below.

b. Please refer to USPS-T-29, Appendix V, page 17.

c. The number of pieces per sack for parcels in the postal network downstream to SCFs and Delivery Units is based on data estimating the average number of pieces actually found per sack (updated based on the larger cube of parcels in FY 1996). Sacks on the postal network can be relatively very empty for a variety of reason. For example, lower volume 5-digit locations are generally transported in sacks. There may be only one parcel in these sacks. Also, for service reasons, any and all sacks might be sent out at extremely low levels of fullness.

On the other hand, I believe that mailers will be more likely to fill their sacks. For example, where a mailer has more than one sack per 5-digit area, it makes sense that all sacks but maybe the last one will likely be completely filled.

d. The methodology you ask about is only one of the two that witness Daniel employs. For that methodology, she adjusts her estimates to account for additional 'air' space in the container and the percent fullness of the container. I believe that is in general a reasonable and logical approach.

e. Not confirmed. According to LR-H-133, there are over 28 different types of sacks and pouches available each having a specific use or uses. While I assume that #1 BMC sacks will be used for DSCF machinables, I do not know

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the mix of other sacks used on the postal network. Since #1 BMC sacks are the largest, any other mix than 100 percent of those, would include some proportion of the smaller sized sacks.

f. Confirmed according to LR-H-135.

g. On average, it is true that fewer DBMC than intra-BMC machinables would fit in a given sack. I do not have any data to suggest what the cubic volume profile of DSCF parcels would be, therefore, I assumed the average size of parcel post for purposes of calculating the DSCF cost savings.

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UPS/USPS-T28-29. Please refer to Exhibit C of your testimony. Confirm that this Exhibit is meant to follow Commission methodology established in R90-1. If not confirmed, please explain, detailing all instances and reasons it deviates from Commission methodology.

RESPONSE

Not confirmed. Please see my response to UPS/USPS-T28-24.

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UPS/USPS-T28-30. Please refer to Exhibit C of your testimony. Confirm that in R90-1 and MC97-2, the Mail Processing Costs at Non-BMC Facilities ("FY 1996 Mail Processing Costs" in Exhibit C) excluded the outgoing mail processing costs of each of the following mail processing operations: postage due; mail preparation; platform acceptance; central mail markup. If not confirmed, please explain.

RESPONSE

Confirmed. Please see my response to UPS/USPS-T28-24.

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UPS/USPS-T28-31. Please refer to Exhibit C of your testimony. Confirm that LR-H-144, cited in Exhibit C as support for the "FY 1996 Mail Processing Costs," does not exclude the outgoing mail processing costs of each of the following mail processing operations: postage due; mail preparation; platform acceptance; central mail markup. If not confirmed, please explain. If confirmed, please explain why you have chosen to deviate from Commission methodology.

RESPONSE

Confirmed. Please see my response to UPS/USPS-T28-24.

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UPS/USPS-T28-32. Please refer to Exhibit C of your testimony. Confirm that in R90-1, and in R94-1, the Commission methodology excluded ASF costs from the calculation of Mail Processing Costs at Non-BMC Facilities. If not confirmed, please explain in full.

RESPONSE

Yes, that is my understanding.

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UPS/USPS-T28-33. Please refer to Exhibit C of your testimony. Explain why ASF costs are not excluded from the calculation of Mail Processing Costs at Non-BMC Facilities ("FY 1996 Mail Processing Costs") in Exhibit C.

RESPONSE

Please see my response to UPS/USPS-T28-4. With the new volume variability/cost pool approach, segregating ASF costs would be more difficult and not consistent with that new approach. ASFs are a unique facility in that they can act both as SCFs (plants) and also as BMCs. To the extent that ASFs have outgoing mail processing costs, they are acting more like SCFs and feeding parcels on to the BMC. Those costs are properly included in the category of those avoided by DBMC pieces. Additionally, the Commission methodology excluded both ASF costs and ASF volumes. I include both, making any potential unit cost difference minimal regardless.

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UPS/USPS-T28-34. Please refer to LR-H-144, Table 1, column (10), "Variable Mail Proc. Costs."

- (a) Are these numbers intended to match the variable mail processing costs by cost pool for Parcels - Zone Rate in USPS-T-12, Table 5? If your answer is no, please explain.
- (b) Confirm that the numbers do not match the variable mail processing costs by cost pool for Parcels - Zone Rate in USPS-T-12, Table 5. If not confirmed, please explain. If confirmed, please explain why they do not match and provide a corrected Table 1 of LR-H-144.

RESPONSE

- a. No. These numbers include worksheet adjustments and premium pay factors.
- b. Confirmed. There is no reason to provide a corrected table. Please see my response to (a) above.

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UPS/USPS-T28-35. Please provide the most recent version of Management Instruction DM-470-80-3, Mail Acceptance at Bulk Mail centers, and copies of all other Postal Service publications concerning mail acceptance at bulk mail centers. Also, if mail acceptance at bulk mail centers is discussed as a section of a larger Postal Service publication, please provide copies of the relevant sections or pages.

RESPONSE

I have provided the most recent version available of the Management Instruction you request. I am not aware of any current publications that address mail acceptance at bulk mail centers.

Management Instruction

Date Issued 8-15-80	Filing Number DM-470-80-3
Effective Date Immediately	Obsoletes RI 1060-Fin-185 Filing No. 483 6-6-78
Originating Organization & OXC Code Rates & Classification Department, RC212	
Signature <i>Edward J. McCall</i> Asst. Postmaster General	

Title
Mail Acceptance at Bulk Mail Centers

I. PURPOSE

To define policies and procedures for acceptance of mail at Bulk Mail Centers.

II. BACKGROUND

Bulk Mail Centers, with limited facilities for accepting mail directly from private mailers, are not intended to function as post offices for mail acceptance purposes. However, it is advantageous for the U. S. Postal Service to provide for acceptance of large mailings at BMC's directly from mailers to the extent possible with available private mailer dock and platform space. Systems and procedures have therefore been developed to permit each BMC to perform certain acceptance functions as "agent" for designated post offices in its assigned geographical service area. This instruction outlines generally the conditions for BMC acceptance, the responsibilities of post offices and BMC's, and the procedures required of post offices to coordinate mailing activities with the BMC Acceptance Unit and to protect USPS revenue. A "BMC Mail Acceptance Policies and Procedures Guide" has been issued to each BMC Manager defining the policies contained in this instruction and describing the procedures that will be used at each BMC to "accept" mail.

III. APPLICABILITY

The policies and procedures contained in this instruction apply fully to all BMC areas. The application of this instruction to Auxiliary Service Facility (ASF)

areas is limited. ASF's will continue to accept all mail for entry at the ASF city post office under existing regulations (see attachment). For mail which a mailer will transport to the ASF for acceptance with official entry at another post office in the ASF area, the policies defined in this instruction apply. The service areas of each BMC and ASF will be considered separate and distinct, e.g., a BMC may not accept mail as "agent" for a post office located in the service area of one of its assigned ASF's.

IV. RESPONSIBILITIES

A. General

BMC's will accept mail as agents for individual post offices. Acceptance functions normally performed entirely by post offices will be divided between the BMC and the entry post office when BMC's accept mailings directly from mailers. In addition, new responsibilities have been assigned to ensure proper administration and operation of the BMC acceptance system.

B. Postmaster Responsibilities

Postmasters of entry post offices or post offices where postage is paid have the following responsibilities when unaccepted mail is sent to a BMC for acceptance and processing:

1. Assuring the eligibility of mailers to mail those classes of mail which require specific authorization and/or the payment of fees, and maintaining all

Distribution Headquarters, headquarters administrative support facilities, regions, districts, management sectional centers, and bulk mail centers.	Special Instructions Paraphrasing and reissuing this Instruction is not authorized. Organizations listed under Distribution may order additional copies: Use Form 7380, Requisition for Supplies; specify the ID Code; and submit to the Eastern Area Supply Center.
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required eligibility records prescribed by the Domestic Mail Manual.

2. Identifying mailers eligible to enter at a BMC and initiating action to authorize and schedule such entry when the mailer consents and BMC entry is to the benefit of the USPS.

3. Authorizing mailers to pay postage using permit imprint, postage meter, and precanceled stamps.

4. Selling and accepting payment for postage and other fees, maintaining mailer's trust account records as required and installing control systems and procedures to ensure that all mailing statements and related documentation are received for mailings accepted at a BMC and ensuring that postage is paid.

5. Instructing mailers, in conjunction with BMC Customer Requirements Officers, on BMC conditions of entry, proper scheduling, container use, van loading sequence, and other pertinent procedures for mail acceptance at a BMC, and for correcting improper mailer practices.

6. Controlling and auditing mailers operating under approved optional procedure agreements.

C. BMC Manager Responsibilities

The BMC Manager has the following responsibilities:

1. Operating a control system which will: (a) identify mailings authorized BMC acceptance or which contain mail not previously accepted by a post office, (b) ensure performance of required verification, postage computation and other acceptance procedures for such mail prior to release for processing, and (c) deny entry to unauthorized mailings.

2. Performing all functions required to: (a) ensure mailability, proper classification, postage payment and proper mailer preparation for each mailing accepted at a BMC, (b) resolving any immediate problems with the mailer or rejecting the mailing if necessary, and (c) notifying entry postmasters of improper mailer practices for follow-up and corrective action for future mailings.

3. Establishing and operating a system to control and provide an internal audit

trail for each mailing and its related documentation.

4. Staffing and operating a Mail Acceptance Unit and conducting a Revenue Protection Program.

V. CONDITIONS OF ENTRY FOR PRIVATE MAILERS

A. General Conditions of Entry

1. Entry post office. A BMC will only "accept" mail for those post offices which are within the 48 contiguous states and are within its BMC service area. Postmasters may initiate action to have the BMC accept qualified mailings only from mailers paying postage at their post office. Attached is a listing of post offices designated as BMC city post offices.

2. Authorization and scheduling requirements. All mailings to be received from mailers at a BMC must be authorized and scheduled in advance by the postmaster at the post office where postage is paid and approved by the BMC Manager.

3. Payment of postage. No postage can be purchased or payments made at a BMC. Postage must be paid by affixed postage or through trust deposits established at entry post offices prior to the mail being accepted by a BMC. Postage for all mail on a private mailer vehicle depositing mail at a BMC must have been paid at the same post office.

4. Uncanceled stamps prohibited. BMC's will not accept or receive mail with uncanceled stamps. Postage on matter to be entered at a BMC must be paid by meter stamps, permit imprint, precanceled stamps or standard second-class payment procedures.

5. Mail not processed in the bulk mail system. BMC's will not accept mail which is not processed in the national bulk mail system. This exclusion ordinarily includes all First-Class Mail, priority mail, registered mail, special handling, special delivery, certified mail, and newspaper treatment second-class.

6. Vehicle size requirements. Only mailers using vehicles that are compatible with BMC dock specifications will be permitted to enter mail at a BMC. Primarily, this requires vehicles to have a road to bed clearance between 46 and 54 inches.

7. Container requirements. Mailings will be accepted only in containers which can be processed in the NBMS. This includes sacks, BMC containers, pallets, and bricklaid parcels in vans. Other containers must have prior approval of the accepting BMC Manager.

8. Mixed classes. Mail of different classes will be accepted on a single vehicle provided the mailings are segregated in the vehicle and otherwise meet conditions for BMC entry.

9. Minimum volume. Minimum volumes per vehicle are required for a mailer to qualify for BMC entry. When more than one class is carried in a vehicle, volume for each class may be combined to reach a minimum volume level. When a mailing exceeds the capacity of one vehicle, the "overflow" may be carried on a different vehicle if the total mailing meets the minimum volume requirements. The BMC Manager may waive the minimum volume requirements as outlined in paragraphs V-B through V-F. However, in no event will the minimum volumes required to qualify for a bulk rate be waived.

10. Maximum mailings per vehicle. The number of mailings which may be entered on a single vehicle is limited. When postage is paid by standard second-class billing or permit imprint (except parcel post), a mailing is defined as that mail described by a single billing document (Forms 3541/3541A, 3602, 3605). For mail not requiring billing documents and postage computation, all such mail on a vehicle is defined as a single mailing.

B. Second-Class and Controlled Circulation

1. Acceptable Method of Postage Payment: Standard Billing (Form 3541/3541A).

2. Minimum Volume: 100 sacks or 3,000 pounds.

3. Entry Post Office: BMC city.

4. Maximum Mailings Per Vehicle: Two.

5. Other: Mailings at transient rate paid by permit imprint, meter, or pre-canceled stamps may be entered under the conditions established for third-class.

6. Exception: At the discretion of the BMC Manager, the conditions of acceptance in 2 and 4 above may be reduced provided BMC requirements of manpower, time and space permit. However, in no event will the instructions in Part IV of the "BMC Mail Acceptance Guide" governing mail acceptance procedures at each BMC be waived.

C. Third-Class (Bulk Rates)

1. General. Bulk rate mailings should be accepted only when plant acceptance is not feasible. Single piece rate mailings will normally not be accepted at a BMC. BMC Managers may approve exceptions under one or both of the following conditions:

(a) mail must be voluntarily presorted by mailer to state distribution center level or better in sacks or on pallets; or

(b) pieces must be machinable on BMC parcel sorters.

2. Acceptable Method of Postage Payment: Permit imprint, meter stamps, and pre-canceled stamps.

3. Minimum Volume: 100 sacks or 3,000 pounds.

4. Entry Post Offices: Any post office in BMC area.

5. Maximum Mailings Per Vehicle: Two non-identical mailings.

6. Exception: At the discretion of the BMC Manager, the conditions of acceptance in 3 and 5 above may be waived provided BMC requirements of manpower, time and space permit. However, in no event will the instructions in Part IV of the "BMC Mail Acceptance Guide" governing mail acceptance procedures at each BMC be waived.

D. Fourth-Class Parcel Post (Zone Rate)

1. Acceptable Method of Postage Payment: Permit imprint, meter stamps, and pre-canceled stamps.

2. Minimum Volume: 50 pieces. Bulk rate mailings must meet the minimum volume requirements prescribed by postal regulations.

3. **Entry Post Offices:** Any post office in BMC area. All mail entered by a customer in a BMC in a day must have the same entry post office.

4. **Maximum Mailings Per Vehicle:** Two permit imprint mailings totaling eight zone separations. (When a mailing is to all eight zones, only one mailing per vehicle is permitted. Two mailings with a combined total of eight zone separations are also acceptable.)

5. **Exception:** The BMC Manager may reduce the minimum volume requirements to those required to qualify for the rate of postage.

E. Fourth-Class Bound Printed Matter (Bulk Rate)

1. **Acceptable Method of Postage Payment:** Permit Imprint.

2. **Minimum Volume:** 1,500 pieces.

3. **Entry Post Office:** BMC city.

4. **Maximum Mailings Per Vehicle:** One mailing per vehicle.

5. **Other:** No detached label mailings accepted. Postmasters of BMC city post offices should schedule fourth-class bound printed matter mailings for BMC entry only when such mailings are predominantly for delivery at post offices other than the BMC city post office.

F. Fourth-Class Bound Printed Matter (Single Piece Rate)

1. **Acceptable Method of Postage Payment:** Permit imprint, meter stamps, or pre-canceled stamps.

2. **Minimum Volume:** 300 pieces.

3. **Entry Post Office:** BMC city.

4. **Maximum Mailings Per Vehicle:** Two permit imprint mailings with total of eight zone separations (as described for zone rate parcel post above).

5. **Exception:** The BMC Manager may waive the conditions of acceptance in 2 and 4 provided manpower, time and space permit.

6. **Other:** Piece rate bound printed matter mailings should not be accepted at a BMC unless (1) presorted by mailer

to state distribution center level or better, or (2) prepared by a mailer in such a way they are machinable on the BMC parcel sorter.

G. Fourth-Class (Special Rate and Library Rate)

1. **Acceptable Method of Postage Payment:** Permit imprint, meter stamps, and pre-canceled stamps.

2. **Minimum Volume:** 500 pieces. The minimums prescribed by postal regulations for the postage rate being paid must also be met.

3. **Entry Post Offices:** Any post office in BMC area.

4. **Mailings Per Vehicle:** Two permit mailings paid at one post office.

5. **Other:** Mailings should be accepted only if presort, volume, and densities do not permit bypassing origin BMC and plant acceptance is not feasible.

H. Alternate Methods of Paying Postage

BMC's will accept mailings involving alternate methods of paying postage that have been authorized under the provisions of the Domestic Mail Manual, section 145.9. This will include such systems as computerized postage, centralized payment and precalculation of postage. Post offices will specify the procedures to be followed at the BMC for all mailings accepted under alternate postage payment methods when requesting authorization for BMC entry. All requirements described in this instruction for BMC entry will apply to such mailings except as specifically modified in the authorization for BMC acceptance.

I. Optional Procedure Mailings

Optional procedures are authorized in accordance with Regional Instruction 915-Fin-174, as amended by Regional Instruction 1080-Fin-188. Conditions of acceptance and place of mailings of optional procedure mailings will be specified on an individual basis by the Regional Director of Finance. The provisions of this instruction may not be used to circumvent an authorized optional procedure arrangement nor will an optional procedure be used to circumvent the policy of this instruction.

VI. POST OFFICE PROCEDURESA. Authorizing Mailer Entry at BMC

1. General: Postmasters should identify non-plant load mailers whose mailings meet the criteria in Section V and encourage them to enter mail at the BMC, if feasible. When mailers agree to BMC entry, postmasters will serve as a continuing authorization for BMC entry until canceled by the mailer or the postmaster.

2. Form 4403, Authorization for BMC Acceptance - Second-Class/Controlled Circulation Publication

a. Prepare two copies of Form 4403 for each second-class/controlled circulation publication to be entered at the BMC. (Note that only a BMC city postmaster may request BMC acceptance for publications with approved original or additional entry at his post office.)

b. Data items on the Form 4403 should be completed as follows:

Item

1, 5, 6 b-e, Self explanatory and 7

2 and 4 Name and telephone number of publisher and post office contacts in the event of problems with a mailing

3 Name of BMC city post office where publication is authorized entry

6 a Normal arrival data for each mailing and arrival time, if known. For example, the data item would indicate "25" for a monthly publication normally arriving on the 25th of each month or "Friday" for a weekly publication usually entered on Friday. Either "AM" or "PM" should be entered in the time item

8 Use this area to request any required special procedures during acceptance

3. Form 4410, Authorization for BMC Acceptance - Third/Fourth-Class Bulk Mailings

a. Two copies of this form should be prepared for each mailer who will be authorized to enter qualified mailings at the BMC.

b. Data items on the Form 4410 should be completed as follows:

Item

1 Indicate all classes/rate categories and methods of postage payment which the mailer will be authorized to enter at BMC

2 Indicate normal mailing frequency, this information will be used only for planning purposes and will not replace requirements to schedule each mailing

3 Indicate name of private carrier normally used by mailer if he does not use own vehicle for transportation to BMC

4 If mailer can arrive at the BMC at a designated time on mailing days, indicate time here

5 Indicate mailer and post office contacts in the event of problems with a mailing

c. Submit both copies of the appropriate forms to the BMC Manager at least one week prior to the first mailing. In addition, the Form 4410 for each optional procedure mailer must include an attachment which describes the procedures the BMC should use in accepting mailings from the mailer. This could include such actions as obtaining vehicle weights, reviewing mailability and proper classification and verifying trust fund account balances. This attachment should also describe the circumstances under which such mailings will arrive at the BMC, including use of vehicle seals, requirements for sample copies, extent of commingling by the mailer and whether the mailing statement should accompany the mailing.

d. The BMC will evaluate its capability to process the mailing through the Acceptance Unit and will return the original copy with approval or other required action to the postmaster. Mailings must not be sent to the BMC until this approval is received.

B. Scheduling

Scheduling is important to both the BMC and the mailer. Every effort should be made to have the mailer arrive at the BMC at a particular time on a stated date. The BMC acceptance unit will maintain a current schedule of all expected mailings requiring acceptance processing. Requests which cannot be processed without lengthy delays for the mailer will be deferred or scheduled for post office acceptance as appropriate. Once a mailer is approved for BMC acceptance, the BMC must be provided the best available advance information concerning arrival of mailings. Post offices arranging BMC entry must either provide such information by telephone to the BMC Acceptance Unit or authorize the mailer to do so as soon as schedule information is available for each mailing to be entered.

C. Adequacy of Mailer's Trust Fund Account

1. The following procedures will be used to assure that mailers entering at a BMC have sufficient funds on deposit at the post office and that such funds are reserved at the time of mailing.

2. Clearance Register. Each post office that makes arrangements with the BMC to accept mailings which do not have postage affixed, i.e., most second-class/controlled circulation mailings and permit imprint mailings, will establish and use a clearance register. The register will provide a control to assure that each mailing statement is received from the BMC and that funds in the mailer's advance deposit account are reserved. A hardbound record book similar to Federal Supply Service item 7530-286-6943 is recommended for the register. Entry columns in the register should be headed as follows:

- (a) Clearance Number (in sequence)
- (b) Date of Mailing
- (c) Time
- (d) Permit Number
- (e) Mailer
- (f) Class of Mail
- (g) Total Postage

(h) Date Mailing Statement Received from BMC

3. Clearance Procedure. When an authorized mailing arrives, the BMC Acceptance Unit will call a designated contact at the entry post office to obtain a clearance number (clearance numbers will be listed sequentially in the register beginning with "1" for each calendar year). When providing the clearance number to the BMC, the post office employee will assure that the mailer's trust fund account balance is adequate for the postage payment of the mailing and that all required fees have been paid. He will obtain the clearance number from column "a" of the register and enter data provided by the BMC in columns b-g. The BMC Acceptance Unit Clerk will record the clearance number and name of the post office employee providing the clearance number on all copies of the Mailing Statement (Form 3602 or 3605), Weighing and Dispatch Certificate (Form 3607), and the Notice of Receipt - Second-Class/Controlled Circulation Publication (Form 4419). In the event a change in postage occurs after verification or the mailing is rejected, the post office will be advised. Although a new clearance number is not required in such cases, the post office employee's name will be recorded if a different post office employee receives the call from the BMC. Such changes in the amounts previously reserved will be recorded in the BMC Acceptance Unit Daily Activity Log.

4. Assuring Funds are Deducted from Mailer's Advance Deposit Account.

a. The post office contact will record a pencil notation against the mailer's advance deposit account (Form 3609, Record of Permit Imprint Mailings) for each permit imprint mailing which is received at the BMC. The pencil withdrawal will be erased and the formal withdrawal recorded when the mailing statement (Form 3602 or 3605) is received from the BMC.

b. The pencil withdrawal will reference the clearance number provided to the BMC at the time of mailing. Pencil withdrawals do not represent changes in the accounts which are reported daily on Form 3083, Trust Accounts Receipts and Withdrawals, but reserve the amount shown to prevent the account from becoming overdrawn by subsequent mailings before the mailing statement is received from the BMC.

c. The BMC will forward certified mailing statements on a daily basis to the acceptance unit of the entry post office. Upon receipt, the date of receipt should be noted on Column "h" of the Clearance Register and the postage charges recorded on Form 3609. In addition, the BMC will forward certified Weighing and Dispatch Certificates (3607) on a daily basis to the accounting sections of the entry post offices.

d. The BMC Acceptance Unit retains a copy of the Weighing and Dispatch Certificate (3607) or a "duplicate" copy of the mailing statement of each mailing which does not have postage affixed. These forms are placed in the mailer's authorization file as a safeguard against the loss or destruction of the documents enroute to the post office. If the mailing statement is not received from the BMC within two work days of the time recorded in the clearance register, the Acceptance Unit of the post office will initiate follow-up action to obtain the mailing statement or a copy of it from the BMC.

D. Notice of Receipt, Second-Class/Controlled Circulation Publication at the BMC (Form 4419)

1. The entry post office will receive Form 4419 providing data for each mailing of a second-class/controlled circulation publication received at a BMC. Note date of receipt in Column "h" of the Clearance Register. The Form 4419 provides sufficient data for the post office to determine when significant variations in volumes occur. Two times each year, the total number of pieces in the mailing will be included on Form 4419. This is to be compared with the mailing statement for significant volume differences.

2. When significant variations in volume occur which are not supported by the mailing statement (Form 3541 and 3541-A) of that issue date, the post office should initiate a review of the mailer's records.

E. Form 3749, Irregularities in Preparation of Mail Matter and Reports of Mailer Presort and Labeling Reviews

1. When presort irregularities and other mail preparation deficiencies are detected at the BMC, the post office authorizing BMC acceptance of the mailing will

be notified in writing. Postmasters must take immediate action to assure that future mailings of the mailer do not contain similar deficiencies. In view of the platform space limitations at the BMC, the BMC Manager has the authority to refuse the mailings of repeated violators of presort requirements, directing such mailings to the post office where postage is paid.

2. Normally, a visit by the Customer Services representative is sufficient to correct such problems. Procedures must be established at the post office to assure that such reports from the BMC receive prompt attention.

F. Short Paid Parcels

Form 3750, Notice of Short Paid Mail, will be sent to post offices of entry by BMC's when short paid parcels are detected in mailings which are entered there. These notices will be addressed to the Postage Due Section; however, Mail Classification or other post office units with responsibility for performing the security reviews of mailers using meters should also be informed. Although BMC's will conduct periodic security reviews of mailings with postage affixed, postmasters remain responsible for those reviews as provided in section 144.6, Domestic Mail Manual, and section 424.23, Postal Operations Manual.

G. Collection of Revenue, Pieces and Weight (RPW) Data

1. Since the BMC will receive originating mail for post offices participating in the RPW data collection system, an understanding of the capabilities and limitations of the BMC to assist in this effort is necessary to maintain the integrity of the reported data. Some of the data which is required under the RPW reporting system is obtained from mailing statements. Sample offices will continue to extract such data from billing documents as though the mailing has been physically accepted at the post office. The remainder of this data must be obtained from mailer's records or from physical manipulation of mailings to obtain local/non-local counts and in some cases, 65 destination counts.

2. Inadequate platform space at the BMC to perform the counts and the resulting delays that would occur require other arrangements to be made to collect the required data. Therefore, postmasters will avoid scheduling mailings for entry at the BMC on days when such counts are required.

H. Financial Systems Examinations at the BMC

Regional Directors - Finance, should designate a post office to conduct periodic examinations of BMC acceptance records in conjunction with the examination of such records in the post office.

VII. POST OFFICE - BMC COORDINATION

It is important that good working relationships be established between post offices and the BMC Acceptance Unit. In particular, arrangements should be made which will permit the BMC to quickly obtain clearance numbers required to accept second-class and permit imprint mailings and to determine adequacy of mailer's advance deposit accounts.

VIII. ACCEPTANCE HOURS

Each BMC will establish acceptance unit operating hours after consultation with the BMC city post office. These hours will be established to coincide with availability of advance deposit balance information at the BMC city post office. Actual acceptance hours for each BMC will be communicated to post offices in its area.

Attachment (1 page)

ATTACHMENT

BMC AND ASF CITY POST OFFICES

The following list indicates the major post office in the proximity of each BMC which is designated as BMC City for purposes of accepting second-class mail and fourth-class bound printed matter. The office chosen is the one with the most second-class entries that would potentially come to the BMC.

BMC/ASF

Springfield, MA
Portland, ME
New York
Philadelphia
Pittsburgh
Buffalo
Washington, D.C.
Greensboro
Atlanta
Jacksonville
Memphis
New Orleans
Dallas
Houston
Oklahoma City
Cincinnati
Chicago
Detroit
Des Moines
Sioux Falls
Minneapolis/St. Paul
Fargo
St. Louis
Kansas City
Denver
Billings
Salt Lake City
Albuquerque
Los Angeles
Phoenix
San Francisco
Seattle

BMC/ASF City Post Office

Springfield
Portland
New York
Philadelphia
Pittsburgh
Buffalo
Washington
Greensboro
Atlanta
Jacksonville
Memphis
New Orleans
Dallas
Houston
Oklahoma City
Cincinnati
Chicago
Detroit
Des Moines
Sioux Falls
St. Paul
Fargo
St. Louis
Kansas City, MO
Denver
Billings
Salt Lake City
Albuquerque
Los Angeles
Phoenix
Oakland
Seattle

U.S. POSTAL SERVICE WITNESS CHARLES L. CRUM
RESPONSE TO INTERROGATORIES
OF UNITED PARCEL SERVICE

UPS/USPS-T28-36. Have you or the Postal Service conducted any tests, surveys or analyses to confirm the acceptance and processing costs estimated to be saved or avoided under the DBMC Parcel Post service?

- (a) If yes, please identify, describe and provide copies of all such tests, surveys and analyses.
- (b) Provide copies of all notes, reports, workpapers and other source documents used in or related to the tests, surveys and analyses identified in (a), above.
- (c) If your answer to (a) is no, please explain how the Postal Service can substantiate the accuracy of estimated avoided costs for DBMC mailings.

RESPONSE

No.

a. N/A

b. N/A

c. The Postal Service is substantiating the accuracy of the estimated avoided costs for DBMC mailings by presenting those estimates in this proceeding where they are receiving a thorough and independent review by the Postal Rate Commission as well as intervenors with diverse and opposing interests as to the size of the discount.

U.S. POSTAL SERVICE WITNESS CHARLES L. CRUM
RESPONSE TO INTERROGATORIES
OF UNITED PARCEL SERVICE

UPS/USPS-T28-37. Please identify and describe new, or modifications to, acceptance procedures, processing operations, activities, manning levels, and facility design at AOs, SCFs, BMCs, and ASFs, that will be required to support the proposed DBMC, DSCF, DDU drop ship discounts for Parcel Post.

RESPONSE

Any modifications of acceptance procedures, if they would prove necessary, would still be in the development stage and would not yet have been produced or finalized. I am aware of no changes to manning levels. Implicit in my testimony, is an assumption that processing operations and activities as well as facility design remain essentially unaffected by the new worksharing proposals.

U S. POSTAL SERVICE WITNESS CHARLES L. CRUM
RESPONSE TO INTERROGATORIES
OF UNITED PARCEL SERVICE

UPS/USPS-T28-38. Please provide a detailed explanation of the processing of DBMC pallets of Parcel Post mail that are received at BMCs and cross-docked for delivery to an SCF within the BMC service area, including:

- (a) Requirements for containing the parcels on the pallet, e.g. shrink wrapping;
- (b) Requirements and type of information on labels, placards, etc. for the mail on the pallet; please provide an example of an actual completed label, placard etc.;
- (c) Presortation requirements of parcels on a pallet including number of zip digits e.g., all with the same 3 digit destination zip etc.;
- (d) Origin zip code used for the palletized mail for determining DBMC postage from a zone chart.

RESPONSE

Please see Exhibit F of my testimony. Our data suggests that 96.2 percent of machinable DBMC parcels and 98.2 percent of nonmachinable DBMC parcels arrive bedloaded.

a. I know of no such requirements. Pieces qualifying for the DBMC rate are generally deposited at the destination BMC and are not required to be palletized.

At that point they are usually either inducted into the Parcel Sorting Machine (machinables) or sorted to the 3-digit SCF (nonmachinables) level by other means. Please see witness Daniel's parcel models (USPS-T-29) for additional information.

b. I know of no such requirements.

U.S. POSTAL SERVICE WITNESS CHARLES L. CRUM
RESPONSE TO INTERROGATORIES
OF UNITED PARCEL SERVICE

- c. If this were to occur, I assume machinable parcels would need to be sorted to 5-digits and nonmachinables sorted to the 3-digit SCF level.
- d. My understanding is that the origin ZIP code will be that of the facility that the parcels are deposited at.

DECLARATION

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

Charles L. Crum

Dated: 26 SEPTEMBER 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.

A handwritten signature in cursive script, appearing to read "Scott L. Reiter", written in black ink.

Scott L. Reiter

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
September 26, 1997