

# DOCKET SECTION

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

**RESPONSES OF UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE  
AND MOTION FOR LATE ACCEPTANCE  
(OCA/USPS-25 - 33, 35, 39, 40)  
(September 29, 1997)**

The United States Postal Service hereby provides its responses to the following interrogatory of the Office of the Consumer Advocate: OCA/USPS-25 through 33, 35, 39 and 40, filed on September 5, 1997. Each interrogatory is stated verbatim and is followed by the response. Responses to OCA/USPS-34, 36, 37, and 38 are forthcoming.

Production of the attached responses required consultation and review involving numerous departments within Postal Service Headquarters, making it impossible, despite due diligence, to prepare these responses in a timely fashion. Furthermore, many of the responses are inter-related, meaning that a delay in the production of one would affect the ability to produce others. As a consequence, these responses are 10 calendar days late. The Postal Service regrets this delay and any prejudice that may have resulted, but considers it unavoidable under the circumstances.

Respectfully submitted,

UNITED STATES POSTAL SERVICE  
By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking

A handwritten signature in black ink, appearing to read "M. Tidwell", written over a horizontal line.

Michael T. Tidwell

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
(202) 268-2998; Fax -5402  
September 29, 1997

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO THE  
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-25. What procedures are currently followed by the Postal Service to ensure that the appropriate amount of postage is applied to First-Class letter mail originating at non-households? When compared to total First-Class letter mail, what proportion of First-Class letter mail originating at nonhouseholds is short paid?

RESPONSE:

It is the operational objective of the Postal Service to maximize processing of stamped First-Class letter mail on facer/canceller machines. The machines are programmed to kick-out mail with no postage and mail that has only non-phosphorous stamps. This mail is marked up "Postage Due" and then forwarded in the system to the delivery destination where it is separated for collection.

During mail processing and delivery, no distinction is made on the basis of whether mail pieces originated at nonhouseholds. The Physical characteristics of mail pieces do not always permit conclusive determination since examination for short paid mail is performed at a later stage than acceptance, it is not possible to identify what proportion of First-Class letter mail originating at nonhouseholds is short paid.

Metered First-Class Mail is entered directly into the mail stream where only a diligent employee will be able to identify possible short paid instances. Some metered mail is entered through an acceptance unit which manually reviews the mail prior to dispatch.

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There are various procedures used to ensure that the appropriate amount of postage is applied to First-Class letter mail, depending on the payment method, method of entry, and other factors. All stamped mail (other than mail with precancelled stamps) is processed on facer/canceller machines which are able to identify and reject pieces with no postage and pieces with stamps whose denomination is less than 10 cents. Pieces bearing a stamp with a denomination greater than or equal to 10 cents, but with less than sufficient postage, may be identified as "short-paid" at any point between entry and delivery when handled by an employee. It is postal policy that pieces with no postage at all are returned to sender; pieces with insufficient postage are marked up "postage due", forwarded to the delivery office, where an attempt is made to collect the postage due from the intended recipient. If that effort is unsuccessful, the piece is returned to sender. Metered First-Class Mail pieces may be also be identified as short paid when handled by an employee. When so identified, they are dealt with as described above in the case of stamped pieces.

First-Class letter mail pieces mailed at a discount rate may be paid via permit indicia, meter or precancelled stamps. However, all such pieces must be entered through a Bulk Mail Entry Unit. BMEUs are staffed by employees who are trained in specific procedures to ensure that the proper postage is applied to the bulk mailing as a whole.

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It is not known what proportion of First-Class letter mail originating at nonhouseholds is short paid, since we do not have data identifying short-paid letter mail by origin source.

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OCA/USPS-26. What steps will the Postal Service take to insure that a mailing meeting automation eligibility requirements actually carries accurate barcodes? Please provide any and all studies the Postal Service has undertaken to determine what percentage of mail receiving automation discounts actually carries accurate barcodes.

RESPONSE:

The Postal Service attempts to assure accuracy of barcodes through the Coding Accuracy Support System (CASS) and Multiline Accuracy Support System (MASS) programs. In order to be eligible to claim an automation rate, mailers are required to produce documentation to prove that their barcodes were derived through the use of a certified address matching product. Periodic accuracy tests are performed using the Automated Barcode Evaluator. Regarding studies of percentage of mail receiving automation discounts and barcoding accuracy, there are no known studies addressing this topic.

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OCA/USPS-27 What procedures are currently followed by the Postal Service to ensure that the appropriate amount of postage is applied to First-Class Mail found in the Collection Stream? When compared to total First-Class Mail, what proportion of First-Class letter mail in the collection stream is short paid? What proportion of First-Class letter mail in the collection stream is over paid?

RESPONSE:

Regarding procedures currently followed by the Postal Service to ensure that the appropriate amount of postage is applied to First-Class Mail found in the Collection Stream, see response to OCA/USPS-25.

It is estimated that .61% of total First-Class, stamped and metered, single-piece letter mail is shortpaid and 1.48% of total First-Class, stamped and metered, single-piece letter mail is over paid. There are no data which distinguish such mail on the basis of a household or nonhousehold origin.

To the greatest extent possible, stamped First-Class letter mail is processed on facer/canceller machines. Once this mail is entered into the system, it is difficult to differentiate mail on the basis of whether it originated at nonhouseholds.

*Since distinguishing between household and nonhousehold mail is not definitively possible and examination for short paid mail is done at a later stage than acceptance, it is not possible to identify what proportion of First-Class letter mail originating at nonhouseholds is short paid.*

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OCA/USPS-28. What proportion of the total mail flowing through the Postal Service is short paid?

RESPONSE:

It is estimated that 0.96% of total stamped and metered First Class mail is short paid. This estimate only identifies stamped/metered First-Class Mail that has not been caught and marked up for collection. It does not reflect the volume of mail that is detected and marked up.



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OCAUSPS-29. Does the Postal Service keep track of the revenue lost through short paid postage?

- a. If your response is affirmative, what was the revenue lost for FY 95 and FY 96 due to short paid postage? Of the total short payments for FY 95 FY96, what proportion represents First-Class single piece letter mail?
- b. For FY 1997, has the Postal Service developed an estimate of the revenue lost through short paid postage?
- c. If your response is affirmative, please provide the estimate, cite all sources and, if the number is derived, please show all calculations.
- d. If your response to part b is affirmative, please indicate how and where the loss is represented in the current Postal Service filing?
- e. If your response to part b is negative, please explain why there are no provision for short paid postage.
- f. If the amount for short paid postage is built into the Postal Service's filing, please provide the total unpaid and short-paid revenue projection for the base year, FY 97 and FY 98. Separately identify the amount of short-paid and unpaid revenue that is estimated to be attributed to First-Class letter mail. If you are unable to provide a total unpaid and short-paid revenue estimate attributed to First-Class letter mail, please explain.

RESPONSE:

The Postal Service maintains data which estimate the amount of revenue lost by virtue of short paid stamps/metered First-Class Mail letters and cards not marked up for collection.

a. Estimated Revenue Lost Due to Short Paid Postage (000):

	FY 1996	FY 1995
First-Class single piece letters	\$124,221	\$121,292
First-Class single piece cards	1,059	1,205

b. No.

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c. N.A.

d. N.A.

e. See response to part f.

f. The filing contains a test-year revenue requirement which is built, in part, on base year unit revenues. Because these base year unit revenue values are derived from actual mail observed in the system, they reflect the impact of short paid mail. Therefore, although the revenue lost through short payment is not explicitly estimated for the test year, the requested rates assume --- by virtue of being based on Base Year unit revenues --- a level of short payment comparable to that which was experienced in the Base Year.

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OCA/USPS-30. What procedures are currently followed by the Postal Service to ensure that the appropriate amount of postage is applied to First-Class metered mail originating at nonhouseholds? When compared to total First-Class letter mail, what proportion of the First-Class metered mail originating at nonhouseholds is short paid?

RESPONSE:

See response to OCA/USPS-25. It is not known what proportion of First-Class metered mail originating at nonhouseholds is short paid, compared to total First-Class letter mail.

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OCA/USPS-31. Please provide the estimated cost to educate and notify households on the appropriate postage required if CEM as proposed by the OCA in Docket No. MC95-1 were implemented. If you are unable to provide an estimate, please explain why you cannot comply with this request.

RESPONSE:

The Postal Service has not developed an estimate of the cost of educating and notifying the public about CEM. Therefore, it can provide no estimate in response to this questions.

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OCA/USPS-32. Please explain how the Postal Service expects to educate all mailers on the usage of its proposed classifications and the ensuing postal rates. Please provide the estimated cost built into the Postal Service's filing for educating mailers on its proposed postal rates. Please identify where the education costs are reflected in the Postal Service's filing.

RESPONSE:

The Postal Service will write standards for the classifications and publish them in the Federal Register and the Postal Bulletin to implement the provisions of R97-

1. Also, there may be national training for select bulk mail acceptance employees, Mailpiece Design Analysts, and window clerks as well as training of customers who present bulk mailings to the Postal Service. Although no decision has been made, in addition to distributing news releases, the Postal Service may mail information to mailers who present bulk mailings.

The Postal Service does not have an educating cost estimate at this time.

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OCA/USPS-33. The following question refers to Nonhousehold to  
Nonhousehold mail.

- a. Has the Postal Service conducted any studies or performed an analysis on the volume of CRM and BRM that is supplied by Nonhouseholds to Nonhouseholds for FY 95 or FY 96? If your response is affirmative, please supply the results of the studies or analysis, cite all sources and if calculations are involved, please explain their derivation. If your response is negative, please explain why no analysis or study was performed.
- b. Has the Postal Service conducted any studies or performed an analysis on the volume of CRM and BRM that is supplied by Nonhouseholds to Nonhouseholds and is subsequently used by the recipient Nonhousehold? If your response is affirmative, please supply the results of the studies or analysis, cite all sources and if calculations are involved, please explain their derivation. If your response is negative, please explain why no analysis or study was performed.

RESPONSE:

(a-b) No. No need for such analysis has been determined.

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OCA/USPS-35. Please provide for FY 95 and FY 96 the equivalent of the information provided by the Postal Service in Docket No. MC95-1, to OCA/USPS-32. Tr. 27/12795.

RESPONSE:

The sampling frame for RPW testing was redesigned in PQ 2 FY 95 such that the frame units were defined to be a physical place in the mail processing stream between and including the destinating mail processing plant and the final delivery unit; frame units are now called Mail Exit Points or MEPs. As such, MEPs are generally defined by mail processing stream and mail shape, and only occasionally as the traditional delivery unit. Volume estimates by delivery unit type are no longer possible. Therefore, the requested analysis is impossible to perform.

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OCA/USPS-39. In Docket No. MC95-1, USPS witness Potter stated, "[I]t is my understanding that the Postal Service was recently losing tens of millions of dollars a year from mailers putting 2-cent and 6-cent stamps on their letters. [Footnote omitted] The need for the Postal Service to take steps to protect against potential revenue loss from short-paid mail if a CEM discount were implemented cannot be seriously questioned." Tr. 36/16219. Please explain all the steps currently taken by the Postal Service to protect itself against revenue loss from short-paid mail.

RESPONSE:

See response to OCA/USPS-25 and 27.

Steps taken by the Postal Service during mail processing and delivery to detect sort paid mail are described in OCA/USPS-25.

*The Postal Service regularly receives correspondence for persons inquiring about the legality of 2-cent and 6-cent First-Class Mail Letters. Often, these persons have been the recipient of misinformation from other individuals, many of whom give evidence of intent to resist Federal tax laws and other laws and regulations. The Postal Service refers these matter to the Inspections Service and tries to educate the individuals who inquire about whether the law permits them to mail letter at rates which have been superseded. As the means of communicating this misinformation expand via Internet messages, the problem is expected to continue, if not expand.*



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OCA/USPS-40. In Docket No. MC95-1, the Postal Service filed library reference MCR-119 that described the processing of a FIMed mail piece where the FIM becomes obscured. Is this library reference still accurate? If not, please provide an updated version of library reference MCR-119.

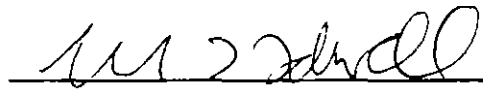
RESPONSE:

The library reference is presumed to reflect the degree of reply mail automation compatibility for the period studied. No more recent study has been performed.

There is no basis of assuming that information in the report would not still be applicable.

## 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 on my mother's birthday.

A handwritten signature in black ink, appearing to read "M. Tidwell", is written over a horizontal line.

Michael T. Tidwell

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