

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

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF
DAVID B. POPKIN
(DBP/USPS-5,9,17-18,35,40-42,65)

The United States Postal Service hereby provides responses to the following interrogatories of David B. Popkin: DBP/USPS-5,9,17-18,35,40-42,65, filed on September 10, 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 29, 1997

RESPONSE OF THE UNITED STATES POSTAL SERVICE
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DBP/USPS-5 USPS Postal News Release Number 69 dated July 23, 1997 indicates that new machines were purchased to sort newspapers and magazines. These machines are expected to save at least \$75 million annually. Release Number 70 dated July 29, 1997 indicates plans to automate non-barcoded flat mail with a planned saving of more than \$100 million annually [a] Provide a complete listing of all planned or announced purchases or improvements announced or planned in the past year which are expected to result in a savings of \$5 million annually [for each of the specific items]. [b] How are each of the expected savings accounted for in this Docket?

RESPONSE:

Cost reduction programs associated with the purchase and deployment of automated equipment and the estimated savings related to these programs are detailed on pages 94 and 95 of Library Reference H-12 and in Exhibit C of Library Reference H-10. A narrative description of each program and the basis for the savings calculations can also be found in Section 1 of Library Reference H-10. These savings are reflected in the rollforward model.

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DBP/USPS-9
(h) - (aa)

DBP/USPS-9

(h) Does the USPS have a requirement that all mail which is placed into the system on a given day will be postmarked that day and will be processed that same day? (i) Does the USPS have a requirement that all mail turned in over a service window that is open to the public will be postmarked that day and will be processed that same day? (j) Does the USPS have a requirement that all mail turned into a city delivery, rural, or HCR carrier or which is collected by a carrier will be postmarked that day and will be processed on that day? (k) Does this apply to all delivery dates including Saturday? (l) Explain and elaborate on any negative answers. (m) Is Exhibit 125.22 of POM (issued August 1, 1996) the latest version of holiday service levels? (n) If not, provide a copy of the latest version as well as copies of any Headquarters directives or memoranda related to any changes. (o) With respect to the footnote to that Exhibit requiring exception to these service levels be approved by the Chief Operating Officer and Executive Vice President, confirm that this requirement is still current. (p) If not, advise the current regulation. (q) Have any exceptions been approved since August 1, 1996 in accordance with that footnote or any succeeding regulation noted in subpart p above? (r) If so, elaborate and provide a listing of all exceptions granted. (s) Are the members of the mailing public entitled to receive the level of service that is mandated in the various directives including POM Exhibit 125.22 and/or which is posted in the lobbies of the various postal facilities as to their operating hours and/or which is posted on the various collection boxes as to the time the mail will be collected? (t) If not, explain. (u) Are POM Sections 322.233 and 322.343 [August 1, 1996 issue] still current with respect to the requirement for at least one collection on Sundays and holidays? (v) If not, provide a copy of the latest version as well as copies of any Headquarters directives or memoranda related to any changes. (w) To what extent would elimination of Sunday collections and mail processing have on the processing and delivery of First-Class Mail? (x) Would this result in any reduction or additional costs? (y) If so, elaborate and enumerate. (z) If Sunday and holiday collections and mail processing have been eliminated, are there any plans to resume them? (aa) If so, explain and elaborate.

Response

(h): It is unclear what "placed into the system" means. Since this question includes reference to postmark and processing, we assume "placed into the

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(h) - (aa)

system" refers to single piece First-Class Mail. Mail deposited in collection boxes will be picked-up in accordance with the times specified on the box and processed (i.e., postmarked and distributed) that same day.

(l): Generally yes. However, there are circumstances when a retail window may be open 24 hours a day. In those circumstances, a time is posted for the latest available acceptance in time for processing and dispatch to meet service commitments. Mail received after that time may, at the customer request receive a local postmark. It will however, not be dispatched until the following day for subsequent processing.

(j): Yes. However, there may be circumstances when the carrier, HCR driver, etc., is late returning to the office (e.g., for weather related problems or vehicle breakdowns, etc.) and misses the last dispatch to the processing plant.

(k): Yes.

(l): N/A

(m): Yes

(n): N/A

(o): Confirmed. However, the service levels noted in the Exhibit are the minimum levels to be provided. Local and Area management may increase the levels of service provided.

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(h) - (aa)

(p): N/A

(q): No reductions in service have been approved. However, there have been circumstances where local/Area management has increased the levels of service provided (e.g. the delivery of parcels on Sunday during the UPS strike).

(r): None have been nationally approved.

(s): Yes

(t): N/A

(u): Yes. Note, however, that the number and location of such collections may be limited.

(v): N/A

(w): Since as noted in part (u) above, Sunday collections are limited, their elimination would have minimal impact on processing and delivery. It should be noted however, that the Postal Service does not perform outgoing distribution on Sundays.

(x): Given the circumstances described in parts (w) and (u), the cost impacts would be negligible.

(y): N/A

(z): Sunday collections still exist and there are no plans to eliminate them. Sunday outgoing processing has already been eliminated and there are no plans to resume that operation.

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DBP/USPS-9

(h) - (aa)

(aa): Not applicable.

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DBP/USPS-17 The following interrogatories are related to determining how revenue and expenses which apparently are not related to matters under the jurisdiction of the Postal Rate Commission enter into the rate evaluation. [a] For example, how are any profits [revenue minus expense] from such items as International Mail, Philatelic Products, Phone Cards, Money Cards, and sale of merchandise ranging from Fathers Day cards to Bugs Bunny ties taken into account? [b] Do any profits go into the total postal revenues thereby reducing the total amount that must be recovered from postage charges?

RESPONSE:

Revenues from retail products and services such as those listed in your question are included under other income and contribute to the coverage of other costs. The costs of retail products are included under the other cost portion of segment 16, component 16.3.1. The excess of International mail revenues over International volume variable costs contribute to the coverage of other costs. Other costs are allocated across all mail and service categories.

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DBP/USPS-18 [a] For each of the past five years, what were the total revenue and expenses for International Mail? [b] For each of the past five years, what were the total revenue and expenses for the sale of Phone Cards and Money Cards? [c] For each of the past five years, what were the total revenue and expenses for the sale of the various items of merchandise as noted above?

RESPONSE.

- a. The total revenue and attributable cost of international mail can be found in the Cost and Revenue Analysis which is available in the U.S. Postal Service Library and from the Postal Rate Commission.
- b. The Postal Service does not track the total cost associated with the sale of retail products. In some cases revenue from retail products is tracked separately. However, money cards were not sold prior to FY 1997 and this information was not tracked separately prior to FY 1997 for phone cards.
- c. See the responses to parts. a. & b.

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DBP/USPS-35

DPB/USPS-35 (a) How many of the mail processing facilities are now fully equipped with a device which will automatically "trap" a Certified Mail article by the presence of the phosphor ink on the Certified Mail Label? (b) How many of the mail processing facilities are partially equipped with such a device? (c) How many of the mail processing facilities are not equipped with such a device? (d) What percentage of the mail is processed through a machine equipped with such a device. Note: Subparts a through c refer to the number of facilities and subpart d refers to the percentage of mail. (e) If there are any facilities listed in response to subparts b or c or if the response to subpart d is not 100%, provide an implementation schedule as to when that level will be achieved. (f) Confirm, or explain if you are unable to do so, that if there are any facilities which do not have such a device installed then there is an increase in the likelihood that the mailer may not receive the Certified Mail service that was requested. (g) If your response to subpart f is negative, then what purpose is achieved by installing these devices? (h) If you are able to confirm subpart f, explain how the failure to have all facilities equipped with this device can be reconciled with providing a quality service with value to the mailer.

RESPONSE:

DBP/USPS-35 (a) - (c): The automated capture of certified mail referred to in this question is accomplished for letter mail only on Delivery Barcode Sorters (DBCS) and Carrier Sequence Barcode Sorters (CSBCS). See USPS witness Moden's (USPS -T4) testimony at page 7 for the number of pieces of those equipment types deployed. These barcode sorter types account for virtually all of the delivery point sequencing (DPS) performed by the Postal Service as well as the vast majority of the incoming secondary processing (sort to carrier route). An inventory of equipment by facility is not readily available. See the Postal Service's response to OCA/USPS-T4-20(b) for a discussion of the limitations of available information sources.

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DBP/USPS-35

(d): See pages 7 and 8 of witness Moden's testimony for a discussion of the amount of volume receiving automated processing. Also, see page 9 of that same testimony for a discussion of the level to which automated DPS and incoming secondary processing are planned. Note from that discussion, that not all mail is expected to be barcoded, and not all barcoded mail is expected to be processed on automation.

(e) As noted on page 7 of USPS Witness Moden's testimony, all CSBCSs have been deployed. See LR-H-244 for a deployment schedule of the remaining DBCSs.

(f)-(h) Capture of certified and other accountable mail has traditionally been a function of the distribution operation performing sort to carrier route level. Where distribution to carrier route was accomplished manually or by letter sorting machine, the clerk is responsible for identifying and holding out accountable mail. With the advent of automated incoming secondary (i.e., sort to the carrier route level) accountable volumes were mixed with all other automated letters and the carrier was responsible for identifying accountables while he was sorting the mail manually into delivery sequence and returning those pieces to the designated clerk for proper accounting. When the Postal Service began

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automated DPS (i.e., placing letter mail in the order of delivery for carriers on barcode sorters), there is no opportunity to identify and capture accountable mail until the carrier was on the street making deliveries at which time the carrier would have to complete the necessary (delivery notice/reminder/receipt) forms. (NOTE: Carriers are responsible for "fingering the mail" prior to making delivery on the street to verify the accuracy of delivery and to identify any accountable mail which may have not been identified previously. This requirement pertains to all carriers whether they receive their mail sequenced on automation or whether they manually sequence their own mail.)

To address the issue of not detecting accountable mail until actually performing delivery, the Postal Service modified the DBCS and CSBCS machines as noted above. In this way, automation-processed accountable mail has the same opportunity to be identified and held out prior to distribution to the carrier as does letter mail distributed to the carrier manually by a clerk. Again, as noted above, in each case the carrier has final responsibility for identifying any such mail that may have failed to have been captured in the distribution operation. There is therefore, no greater or lesser likelihood that certified mail users will receive the service requested.

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DBP/USPS-40

- [a] Confirm, or explain if you are unable to do so, that Standard Mail [B] must weigh 16 ounces or more [except for Special Standard Mail and Library Mail] - DMM E613.1.0.
- [b] Refer to DMM Section E620.1.1 and confirm, or explain if you are unable to do so, that if I have a 15 ounce parcel [which does not qualify for the Special Standard Mail or Library Rate] that I may still utilize the Standard Mail [B] rate, i.e. for Intra-BMC third zone rate of \$2.47 vs. what would normally based on the weight be \$2.95 for Standard Mail [A].
- [c] With the proposed elimination of Standard Mail [A] single piece rates, would the parcel referred to in subpart b have a rate of \$2.70 [the proposed Standard Mail [B] rate except for it being under 16 ounces] or \$3.20 [the proposed rate for single piece parcels between 11 and 16 ounces]?
- [d] If your response to subpart c is \$3.20, explain why the Postal Service is proposing the additional increase in rates for this category of parcels.
- [e] Refer to DMM Section E620.3.1 and confirm, or explain if you are unable to do so, that the minimum weight for Bound Printed Matter [BPM] is one pound.
- [f] Does an individual mailer who has a 15 ounce parcel which meets all of the requirements for Bound Printed Matter except for the weight and which is destined for the third zone [at an Intra-BMC location] pay the BPM rate of \$1.52 [proposed rate of \$1.54] or the regular Standard Mail [B] rate of \$2.47 [proposed rate of \$2.70]?
- [g] If your response to subpart f is \$2.47/\$2.70, explain why the provisions of DMM Section E620.1.1 may not be utilized for Bound Printed Matter.
- [h] If your response to subpart f is \$1.52/\$1.54, confirm, or explain if you are unable to do so, that the actual BPM rate is the combination of the per piece and per pound rates and that the rate chart is only a convenience for the mailer in converting and rounding the per pound/per piece values to the actual postage.
- [i] Confirm, or explain if you are unable to do so, that for weights between one and five pounds the rates combine the per piece rate and one-half of the per pound rate, i.e. for a 2.4 pound parcel to the third zone, the current rate would be \$1.41 for the piece and 2-1/2 times the per pound rate of \$0.075 or \$0.1875 rounded to \$0.19 for the total rate of \$1.60.
- [j] Explain why the 15 ounce BPM third zone parcel would not have a current rate of \$1.49 [composed of the \$1.41 per piece rate and one times the per pound rate of \$0.075] rather than the minimum shown in the chart of \$1.52.
- [k] Explain why a locally destined BPM parcel weighing 7.5 ounces would not have a rate of \$1.08 based on the per piece rate of \$1.06 and one-half of the \$0.031 per pound rate.
- [l] Confirm that your responses to subparts e through k will also apply with the proposed rates.

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DBP/USPS-40 (continued)

RESPONSE:

- a. Confirmed.
- b. Confirmed.
- c. \$3.20
- d. DMM E620.1.1, which would have allowed that piece to be mailed at \$2.47, applies to Single-Piece Standard Mail (A) and is therefore no longer applicable with the proposed elimination of this subclass.
- e. Confirmed.
- f. DMM E620.1.1, which would have allowed that piece to be mailed at \$1.52, applies to Single-Piece Standard Mail (A) and is therefore no longer applicable with the proposed elimination of this subclass.
- g. Not applicable; please see response to subparts d and f.
- h. Not applicable.
- i. The calculation of \$1.60 is correct.
- j. Because the 15 ounce piece is not eligible for Standard Mail (B) BPM rates.
- k. Because the rates for BPM do not apply to pieces weighing less than one pound.
- l. Confirmed.

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DBP/USPS-41 Regarding the recent United Parcel Service [UPS] strike, the Postal Service in a newspaper advertisement stated that in the past 16 days more than 9 billion pieces of mail were delivered. [a] Confirm or explain if you are unable to do so. [b] What would the normal number of deliveries be during that same time period? [c] How many additional Standard Mail parcels were accepted as a result of the UPS strike over what would normally be expected during the same time period? [d] What were the increases in revenue and expenses as a result of the increase in the number of Standard Mail parcels accepted? [e] What was the net gain or loss in USPS profits as a result of the increase in the number of Standard Mail parcels accepted as a result of the UPS strike? [f] For the one year period starting at the end of the UPS strike, how many additional Standard Mail parcels does the USPS expect to handle as a result of the shifting of mailers from UPS and other private carriers to the Postal Service? [g] For the additional parcels noted in response to subpart f, what would the expected increases in revenue and expenses be? [h] What would the net gain or loss be over the one year period as a result of the additional parcels? [i] What is the projection for additional Standard Mail parcels and the associated revenue/expenses/profit values over years 2 through 5 as a result of the UPS strike? [j] Explain how the information provided in response to subparts c through i was developed. [k] through [r] Same as subparts c through j except with respect to Priority Mail. [s] through [z] Same as subparts c through j except with respect to Express Mail. [aa] In addition to Standard Mail [B], Priority Mail, and Express Mail, were there any other services that experienced an increase in use as a result of the UPS strike? [bb] If your response to subpart aa is yes, list the services and provide the information similar to that requested in subparts c through j. [cc] Provide revised cost data for this Docket taking into account the additional cost and revenue as a result of the UPS strike. [dd] As a result of the revised cost data, are there any plans to delay or change any of the proposed rates in this Docket? [ee] If so, enumerate. If not, explain why not.

RESPONSE:

a.&b. Without a copy of the advertisement or the name of the newspaper and the date the ad appeared, the Postal Service is unable to confirm.

c.-bb. Please see the response to OCA/USPS-T9-28.

cc. Please refer to the responses to OCA/USPS-T9-28 and 29, and DMA/USPS-T9-27.

dd.&ee. Please see the response to part cc., above and the response to DBP/USPS-42.

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DBP/USPS-42 [a] Confirm, or explain if you are unable to do so, that the Chairman of the Postal Service Board of Governors stated, on or about August 22nd, 1997, that he would like to push the effective date of the proposed rate increase back. [b] Confirm, or explain if you are unable to do so, that one of the reasons for this was the anticipated increase in profit expected this year. [c] Explain why the Postal Rate Commission should approve a rate increase which apparently is no longer required at the time it was contemplated.

RESPONSE:

a.&b. Please refer to the response to OCA/USPS-T9-32.

c. Please refer to the response to DMA/USPS-T9-26 & 27.

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DBP/USPS-65: Refer to interrogatory DBP/USPS-35 and in your responses to subparts b and c specify the locations of the facilities that presently do not have 100% capability to "trap" Certified Mail.

RESPONSE:

The inventory of equipment by facility is not readily available. See the Postal Service's response to OCA/USPS-T4-20(b) for a discussion of the limitations of available information sources.

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.



Scott L. Reiter

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September 29, 1997