

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

RATE AND SERVICE CHANGES TO IMPLEMENT  
FUNCTIONALLY EQUIVALENT NEGOTIATED  
SERVICE AGREEMENT WITH BANK ONE  
CORPORATION

Docket No. MC2004-3

REVISED RESPONSE OF UNITED STATES POSTAL SERVICE  
TO PRESIDING OFFICER'S INFORMATION REQUEST No. 1 (ERRATA)  
(POIR1 Q4)

The United States Postal Service hereby provides a revised response of United States Postal Service witness Plunkett to Presiding Officer's Information Request (POIR1) No. 4, question 4. The original response was provided on July 26, 2004. The revision provides further information about PARS.

The information request is stated verbatim, then followed by its response. The witness attesting to the response is identified in the header thereof.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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August 24, 2004

RESPONSE OF UNITED STATES POSTAL SERVICE MICHAEL PLUNKETT  
TO PRESIDING OFFICER'S INFORMATION REQUEST No. 1, QUESTION 4

Revised August 24, 2004

**POIR 1, Q4** Refer to USPS-T-1, Appendixes A and B. Please confirm that the estimated financial impact does not include any explicit adjustments for the effects of the planned implementation of the Postal Automation Redirection System (PARS). If confirmed, please explain why no adjustment is made for the effects of PARS and discuss the current implementation schedule for PARS as it relates to the proposed NSA. If not confirmed, please identify the adjustments.

**RESPONSE:**

Confirmed. The estimated financial impact does not include any adjustments for the planned implementation of PARS. My understanding is that the implementation schedule for PARS has been delayed. I cannot provide a time-frame for nation-wide implementation.

PARS will be deployed in two phases. Phase I was originally planned to begin deployment in July of 2003 and reach completion by May 2004. See Response of the United States Postal Service to APWU/USPS-T4-13, filed on November 27, 2002. Phase I is now planned to be completed by November 2004, at which point PARS will be deployed at 80 computerized forwarding system sites, 49 processing and distribution centers and 15 remote encoding centers. It will cover only 25% of letter mail volume. It will not cover any flat mail volume.

My understanding about Phase II is as follows: It is intended to achieve nationwide deployment, covering close to 100% of letter mail volume. There is currently no schedule for the implementation of Phase II, however, and it has not yet been approved by the Board of Governors. Before seeking such approval, postal management must complete a Decision Analysis Review (DAR) for Phase II based on data developed from Phase I. The earliest possible initial deployment date for Phase II

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would be the fall of 2005. It appears that full deployment will not occur until well into 2006.

Current data do not exist to permit a quantifiable estimate of the effects of the deployment of PARS on cost inputs to USPS-T-1 Appendix A, including but not limited to Computerized Forwarding System (CFS) Processing and Mailstream Processing costs taken from MC2002-2 USPS-LR-1. That task must await the development of reliable data after PARS has been deployed.

One can make a qualitative assessment, however, of the expected impact of PARS on ACS costs savings that are projected under the NSA. I do not believe that PARS will materially decrease the ACS cost savings offered by the proposed NSA, for a number of reasons.

First, a significant part of the cost savings in this case relates to the handling of flat-sized mail through ACS. PARS will not process flat size mail. Second, PARS will not be fully deployed until well into 2006, which is the third year of the agreement in my analysis in Appendix A to my testimony.

Third, to the extent that PARS has any effect on mail costs during the three-year term of the agreement, it is unlikely that PARS will materially decrease the cost savings for the reasons given in the Response of the United States Postal Service to APWU/USPS-7, Docket No. MC2002-2. That response set forth a detailed explanation of how PARS will handle physical returns, how it will handle ACS mail, and how it will therefore reduce the costs for both physical and "electronic" returns. That qualitative analysis applies to the impact (or rather, the lack of impact) on the Bank One NSA. In sum, the cost of handling Bank One's returns under PARS may well be less and the

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cost savings more than projected in my Appendix A to my testimony, although the magnitude of this effect is likely to be small.

Fourth, the benefits of PARS are greatest for single-piece First-Class Mail pieces that can be redirected, usually by forwarding, at the point of origin, thereby eliminating subsequent processing to the original delivery point and CFS processing. Because a majority of Bank One's mail is presorted (Appendix A page 3), PARS will not capture most of the mail at the point of origin but rather at the destination processing plant. Thus the potential benefit of PARS' ability to capture mail early in the system for redirection will not be fully realized Bank One's mail.

## **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.

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