

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

POSTAL RATE AND FEE CHANGES
PURSUANT TO PUBLIC LAW 108-18

Docket No. R2005-1

RESPONSES OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORIES
OF DAVID POPKIN [DBP/USPS-2, 4,7(a,b),8,9(a-c),15,16,21-29]
(April 22, 2005)

The United States Postal Service hereby provides its responses to above-listed interrogatories of David Popkin, filed on April 8, 2005.

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

Objections to the following interrogatories were filed on April 18, 2005:

DBP/USPS-1, 2, 3, 5, 7, 9, 10, 12, 17-20 and 23.

Response to the remaining interrogatories not objected to are forthcoming.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document in accordance with Section 12 of the Rules of Practice and Procedure.

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DBP/USPS-2

- [a] Please provide copies of any directives that have been issued at either the Headquarters level or at the Area level since the last rate case with respect to instructions or guidelines for either the times to be posted for collection boxes or for the addition or removal of collection boxes. [b] Please provide copies of any Inspection Service or OIG audits on collection service that have been conducted since the start of the last rate case.

RESPONSE:

- [a] Objection filed.
- [b] No such audits have been identified.

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DBP/USPS-4

Please provide a listing of all ZIP Code pairs that have changed their First-Class Mail service standards in the last three fiscal years broken down by category such as overnight to 2-day, overnight to 3-day, etc.

RESPONSE

The Postal Service will file as USPS Library Reference K-117 an Excel Workbook which has the known FCM Service Standard changes that occurred during FYs 02, 03 & 04.

It will include the following individual Worksheets for PQs in which changes were known to have been made:

PQ 4-02 Service Standard Chngs

PQ 1-03 Service Standard Chngs

PQ 4-04 Service Standard Chngs

These 3 PQs represent the fiscal quarters within it is certain there were changes.

However, due to some difficulties with Service Standard data archiving over the past two years, and the movement of Service Standards data maintenance from our San Mateo mainframe to a Web-based application, it is *possible* that there may have been Service Standard changes made that will not be included in this workbook. If so, it is because the data may have been lost during archiving and other records pertaining to the changes are no longer in existence.

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DBP/USPS-7.

- [a] Confirm in general that air transportation will be more costly than surface transportation.
- [b] Confirm in general that air transportation will provide more expeditious service than surface transportation.
- [c] If not, explain.
- [d] Is air transportation utilized in all instances where it would advance the delivery time for First-Class Mail by one or two days over that which may be obtained by utilizing surface transportation in whole or in part?
- [e] If not, why not and explain how the handling of this mail could be considered to be handled expeditiously.
- [f] Provide copies of any regulations, directives, or memoranda issued at Area or above level which specify when to utilize air transportation service.
- [g] Provide copies of any press releases, directives, or other memoranda which were issued at the Headquarters level to indicate the level of service that would be provided to First-Class Mail at the time that Air Mail was eliminated as a separate domestic service some twenty years ago.
- [h] Does the level to which air transportation is utilized today match the level that was stated when Air Mail was eliminated as a separate service?
- [i] If not, explain how and why it does not.

RESPONSE:

- [a] Yes, in general, air transportation will be more costly than surface transportation.
 - [b] No, that statement is not uniformly correct. Please see the response to Docket No. C2001-3, DBP/USPS-27(c).
- (c)-(i) Objections filed.

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DBP/USPS-8

In regard to the Service Commitments / performance goals for First-Class Mail:

- [a] Do the delivery standards apply to all types of First-Class Mail regardless of whether it is a letter, card, parcel, flat, or other shape or type?
- [b] Do the delivery standards apply regardless of the method by which the article is addressed such as printed vs. handwritten?
- [c] Do the delivery standards apply regardless of whether the article has no ZIP Code or a 5- or 9- digit ZIP Code?
- [d] Do the delivery standards apply regardless of whether or not the article contains a 5-9-, or 11-digit barcode applied by the mailer?
- [e] Do the delivery standards apply regardless of any other services that are utilized such as Certified Mail, Registered Mail, COD, Insured Mail?
- [f] Do the delivery standards apply whether or not the postage is paid by stamps which require cancellation or by some other means, such as a postage meter, which does not require cancellation.
- [g] Are the EXFC results broken out by any sub-scores for different characteristics of mail as noted in subparts a through f above? If so, provide results for the most recent period.
- [h] Elaborate and explain any negative answers.

RESPONSE:

[a]-[f]. Affirmative.

[g] To a degree. Data forthcoming.

[h] N/A

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DBP/USPS-9

- [a] Is mail addressed to a government agency in Washington DC [ZIP Codes 202 through 205] included in the EXFC results for Washington DC?
- [b] If not, why not?
- [c] Have any studies been completed in the past three years to evaluate the delivery service to these agencies? If yes, please provide copies. If not, why not?
- [d] What special methods, if any, are utilized to process mail to these agencies?
- [e] Is the Postmaster at Washington responsible for the delivery of mail to these agencies? If not, please provide the name, title, and address of the responsible individual.

RESPONSE:

- [a]-[b] No, because IBM, the firm that administers EXFC for the Postal Service, does not have arrangements with Federal agencies to utilize their employees to serve as test mail piece recipients and reporters.
- [c] No studies have been completed because no studies have been undertaken.
- [d]-[e] Objections filed.

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DBP/USPS-15

- [a] In those post offices that have City Delivery service, is it required to deliver mail six days a week [Monday through Saturday except legal holidays] at the following types of addresses: [1] City Delivery Route [2] Post Office Box [3] General Delivery [4] Rural Route [5] Highway Contract Route? Provide a regulatory reference which permits any negative responses.
- [b] Provide a similar response for post offices that do not have City Delivery service [Except, no response is needed for City Delivery routes]. Provide a regulatory reference which permits any negative responses.
- [c] If exceptions may be made to the level of service, advise the level of management required for approval.

RESPONSE:

[a-c] Generally, six days a week delivery is provided for all categories.

1) City Delivery Routes - There are seasonal city delivery routes and situations where business customers may be closed on Saturdays and have requested no delivery for that day. It is conceivable that in high density business districts, there may be five-day service, based on these customers' service requirements.

Delivery frequencies are subject to Area Manager approval.

2) PO Boxes - Delivery is generally provided when the post office is open and the post office box area is accessible to customers. The District Manager can delegate authority for the level of service. Postmasters may have some limited authority as well.

3) General Delivery - Generally available when the post office lobby is open.

The District Manager can delegate authority for the level of service. Postmasters may have some limited authority as well.

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Response to DBP/USPS-15, page 2 of 2:

4) Rural routes - Again, there are seasonal rural routes (POM 651.3) and instances of less than six days a week delivery (POM 651.4). The District Manager can delegate authority for the level of service. Postmasters may have some limited authority as well.

5) Highway Contract Route - There are instances of less than six days a week delivery. The Distribution Networks Manager can make these approvals (POM 662.2).

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DBP/USPS-16

- [a] Confirm that Insured Mail does not receive any special security from the time that the mail is accepted until it arrives at the delivery office, namely, it is transported in a similar manner to the same type of mail without insurance.
- [b] Confirm that mail insured for \$50 or less does not receive any special security at the delivery office.
- [c] Confirm that it will not be possible to determine, with absolute certainty, the amount of insurance that has been purchased [any value from \$50.01 to \$5000] by examination of the article. [d] Explain and discuss any subparts you are not able to confirm.

RESPONSE:

- [a] Confirmed.
- [b] Confirmed.
- [c-d] Not confirmed. If examination of the article includes weighing the mailpiece, the postage can be subtracted from the total amount paid to arrive at the fee paid. Knowledge of the fee paid for insurance would give you the value level for which the package was insured.

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DBP/USPS-21

May Express Mail [Next Day and Second Day Service] be mailed at all postal facilities within all of the ZIP Codes listed on pages 11-34 through 11-36 of the 2004 National Five-Digit ZIP Code and Post Office Directory, other than the three specific ranges shown as military - main offices, stations, branches, rural carriers, and other points at which other classes of mail may be tendered - during their normal office hours? If not, provide any exceptions either by category or by specific office[s].

RESPONSE:

Yes.

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DBP/USPS-22

May Express Mail [Next Day and Second Day Service] be addressed to all valid addresses within all of the ZIP Codes listed on pages 11-34 through 11-36 of the 2004 National Five-Digit ZIP Code and Post Office Directory, other than the three specific ranges shown as military? If not, provide any exceptions either by category or by specific office[s].

RESPONSE

Yes.

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DBP/USPS-23

- [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?

RESPONSE:

- [a] Revenue and expense information regarding International Mail can be found directly in the Cost and Revenue Analysis Reports filed annually by the Postal Service, and available on the Commission's website.
- [b-c] While both revenue and expense figures can be associated with Phone Cards and retail products, this is not so with respect to what the question refers to as Money Cards. The Liberty Cash program, as it was called, was simply a means to store cash value on a card to be applied to future postal purchases. Hence, there was no revenue, per se, associated with this program, which has been terminated. The figures below are (\$000), and pertain to the respective fiscal years.

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
FirstClass Phone Cards					
Revenue	13,826	11,989	9,314	5,099	8,101
Expenses	8,593	7,654	5,503	1,046	1,215
Liberty Cash					
Expenses	440	289	317	220	6

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Response to DBP/USPS-23, page 2 of 2:

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Retail Products					
Revenue	28,304	17,627	83,588	92,292	105,985
Expenses	22,700	12,582	45,926	54,643	83,468

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DBP/USPS-24. With respect to Philatelic Products:

- [a] For each of the past ten years, what were the total revenue and expenses amounts related to it?
- [b] With respect to revenue amounts, what methods are utilized to determine the division of stamp sales between those that will be utilized to pay for mailing as opposed to those will not be utilized?
- [c] What are the goals of the Postal Service with respect to the profit levels to be achieved from the sale of Philatelic Products?

RESPONSE:

- [a] Philatelic programs include the sale of stamps to collectors and the sale of other philatelic products. Postal Service accounting reports do not provide sufficient information to precisely determine the revenues and expenses that result from philatelic programs. For example, revenue from sale of stamps is not separated in accounting records between the amount that is used for postage and the amount that is to be saved by collectors. Also, printing and window service labor costs related to philatelic stamp sales are not available from Postal Service accounting records and reports.
- [b] Stamp Services uses a sampling system called the Household Tracking Index to estimate the number of stamps that are purchased within each household, and out of this total how many are used for postage or saved by collectors. Each quarter, a self-administered questionnaire is mailed to a total of 10,000-15,000 households. Selected households are provided with visual replications of stamp issues, and asked specifically how many of each stamp issue they have retained

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or might retain for non-mailing purposes. On average, 7,000-8,000 households complete and return the questionnaire. Also, a random-digit dialing phone survey is conducted, making approximately 1,000 calls per week. Respondents are asked about the number of stamps purchased, how many they might use for postage, and how many they might retain for non-mailing purposes.

[c] The Postal Service's goal with respect to philatelic programs is to generate as much net revenue as is practicable.

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DBP/USPS-25

With respect to the delivery of Post Office to Addressee Express Mail:

- [a] Provide information on the percentage of articles that are delivered by the guaranteed delivery time. Provide records for the past year or more.
- [b] Confirm that only the mailer [and not the addressee] may make a postage refund claim for delivery made after the guaranteed time.
- [c] How many articles and what percentage are delivered later than the guaranteed time over the past year or more?
- [d] How many claims have been filed for return of postage for late delivery for the same time period as utilized in Subpart [c]?
- [e] Confirm that a mailer must take a specific action to determine that an Express Mail article was delivered late and that without this information will be unaware of the late delivery of the article.
- [f] Explain any reasons why the percentage of refunds is less than the total number of articles delivered late.
- [g] Please explain and discuss any subparts you are not able to confirm.

RESPONSE:

- [a] In 2004, 95.6 percent of Post Office to Addressee Express Mail mailpieces were delivered by the guaranteed delivery time.
- [b] Not confirmed. In most cases, presumably the mailer would be the person making a claim for a postage refund. However, if the addressee is in possession of the customer receipt for the mailpiece, this person may make the claim.
- [c] 2,329,666 Post Office to Addressee Express Mail mailpieces (4.4 percent of the total Post Office to Addressee volume) were not delivered by the guaranteed time in 2004.
- [d] This information is not available. Refund data are tracked by revenue, not by the number of claims.

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- [e] Not confirmed. If the addressee knew the guaranteed delivery time, the addressee could inform the mailer if the piece did not arrive by the time guaranteed to the mailer.

- [f] Customers may choose not to apply for a refund because they are satisfied with the service they received, even if the mailpiece was not delivered by the guaranteed time. These customers may not be concerned about the precise delivery date and time and may have chosen Express Mail for other reasons, such as the impact on the sender, or for the insurance provided. Additionally, the customer may be satisfied that the article was delivered some time the next delivery day, even if not, for instance, by the guaranteed time of day. In the case of isolated destinations, customers mailing to such locations may likely be aware of the difficulty in reaching that location and may very well be satisfied with the fastest delivery available at a reasonable price or indeed at any price, even if it was not delivered within the guaranteed time.

- [g] Explanations are included in above answers.

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DBP/USPS-26

- [a] What percentage of postal facilities that have post office boxes provide access to their box section 24 hours a day?
- [b] Confirm, or explain if you are unable to do so, that these facilities fall into both those that have an employee on duty at the facility and those that do not.
- [c] What percentage of the total number of post office boxes are accessible 24 hours a day?
- [d] Confirm that, as a minimum, the box section in a post office should be accessible to the public at all times that a postal employee is on duty at the facility [which in many cases will be greater than the normal hours of retail operation]. If you are unable to confirm, please explain and discuss and provide specific information as to why it cannot be accomplished.
- [e] Provide information on the reasons which would allow a postal facility to permit access to the post office box section during times when there are no postal employees on duty in the facility.
- [f] Please provide copies of any directives or instructions that have been issued, if any, regarding the guidelines for determining whether a box section can be open when no postal employee is on duty.

RESPONSE:

- [a] The percentage of facilities whose post office boxes are available 24 hours a day is not known with any precision. However, it is thought that the number of facilities with 24 hour access to post office box sections is likely several thousand. As such, the actual percentage may approach or exceed 10 percent.
- [b] It seems likely.
- [c] The percentage of boxes that are available 24 hours a day is not known with any precision. However, it is thought that the percentage is higher than the number provided in response to part (a), because the offices with 24-hour access tend to be facilities with more post office boxes than average. Thus, the percentage of post office boxes for which there is 24-hour access may approach or exceed 20

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percent.

- [d] Not confirmed. The presence of a single employee in a facility does not mean that the facility's security is necessarily sufficient to warrant opening a lobby. The Postal Operations Manual does express a preference that lobbies be open when a facility is staffed. POM § 126.44. However, the POM contains operative guidelines for postal operations as opposed to formal requirements. Moreover, with the need to conserve costs and staff hours, and often a lack of customer demand, a mandatory policy would be unwarranted.
- [e-f] Decisions regarding when a facility is open are made by local postal officials in light of local conditions, particularly the security of individuals, the facility, and the mail. Local decisions regarding when unattended lobbies are open also vary over time as customer demand is balanced against the need for security and safety. See POM §§ 126.44 and 841.74, shown below.

126.44 Lobby Hours

As a minimum, customers must have access to their Post Office boxes during all retail service counter hours. Normally, separate Post Office box lobbies should remain open when someone is on duty in the postal unit. At the postmaster's discretion, when no one is on duty, lobbies may remain open to allow customers access to Post Office boxes and self-service equipment, provided that customer safety, security provisions, and police protection are deemed adequate by the Inspection Service.

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Response to DBP/USPS-26, page 3 of 3:

841.74 Standards - Box Service

If postmasters find that safety and security provisions allow it and there is sufficient public demand, they may keep the box lobby open to the public 24 hours a day.

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DBP/USPS-27

- [a] Confirm that both post cards and stamped cards may be mailed at the same 23-cent postage rate [proposed to be 24-cents].
- [b] What is the average cost for acceptance, processing, and delivering a post card?
- [c] What is the average cost for acceptance, processing, and delivering a stamped card?
- [d] If separate data is not available, please explain why it is not collected.
- [e] Provide the existing and proposed cost coverage for the entire First-Class Mail card subclass and for the single-piece First-Class Mail card rates.
- [f] Confirm that, in general, the cost for handling post cards would be higher than for handling stamped cards.
- [g] Confirm that the following characteristics would tend to indicate that stamped cards would have a lower cost than post cards: they are more uniform in size, they are more likely to be have a printed address, they normally utilize the entire front of the card for the address.
- [h] Confirm that the following characteristics would tend to indicate that post cards would have a higher cost than stamped cards: they vary in size [between the authorized limits], they tend to have a glossy surface - both on the front and particularly on the reverse side, they are more likely to be hand addressed, and the left side of the card is normally utilized for a message rather than an address.
- [i] Explain and discuss any subparts that you are not able to confirm.

RESPONSE:

- [a] Confirmed
- [b-c] The In-Office Cost System does not have separate cost data for these card types.
- [d] Separate data are not collected because no need sufficient to warrant doing so has developed, and resources are devoted to collecting other data.
- [e] See Exhibits USPS-27A and B.
- [f] See the response to parts [b-c].
- [g-h] The Postal Service does not have separate data for these card types that

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permit the statement of any conclusions regarding the degree or impact of any such cost tendencies.

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DBP/USPS-28

Most of the rates charged by the Postal Service are weight related. In order to mail the article it may be necessary to affix various labels or other material to the article as well as affix stamps to cover the cost. Please advise whether the following items are included in the weight of the article in determining the proper postage [for example, a Return Receipt card weighs approximately 0.12 ounces].

- [a] If I affix one to a 0.95 ounce letter do I pay the one ounce rate because of the original weight of the letter of 0.95 ounces or am I required to now pay the two ounce rate because of the new total weight of 1.07 ounces?
- [b] The postage stamp or stamps that are affixed to pay the postage.
- [c] A Certified Mail sticker. [d] A Delivery Confirmation sticker.
- [e] An Insured Mail sticker.
- [f] A Registered Mail sticker.
- [g] An Express Mail address label.
- [h] A C.O.D. Mail label.
- [i] If your response to subparts c, d, e, g, and/or h is yes, am I permitted to remove the mailing receipt part prior to the weight being determined?

RESPONSE:

Whether or not the various labels and/or stamps are included in the weight of the article for purposes of determining postage depends upon the specific circumstances. If stamps and labels are already affixed to the article before weighing, they will be included in the weight of the article. If, however, the article is presented to the clerk before labels or stamps are affixed, the weight will not include the labels or stamps in determining the postage. Once an article is weighed by the clerk, labels or stamps affixed to the article by the clerk will not require a second weighing to determine postage.

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DBP/USPS-29

- [a] Please confirm, or explain if you are unable to do so, that Express Mail rates used to be zoned rates based on the distance between the origin and destination.
- [b] Please confirm, or explain if you are unable to do so, that the present Express Mail rates are unzoned and are the same regardless of the distance between the origin and destination.
- [c] Please provide all of the reasons why the rate system was changed and level of significance for each of the reasons provided.

RESPONSE

- [a] Confirmed.
- [b] Confirmed.
- [c] See PRC Op., R84-1, Vol. 1 at 588.