

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

Postal Rate and Fee Changes, 20051 )

Docket No. R2005-1

OFFICE OF THE CONSUMER ADVOCATE  
MOTION TO COMPEL RESPONSES TO INTERROGATORIES  
OCA/USPS-43-54 and OCA/USPS-T6-14  
(June 9, 2005)

Pursuant to Rule 21 of the Rules of Practice of the Postal Rate Commission, the Office of the Consumer Advocate (“OCA”) hereby moves to compel Postal Service responses to those portions of interrogatories OCA/USPS-43-54 filed May 13, 2005 and to which the Postal Service has filed a partial objection,<sup>1</sup> and to OCA/USPS-T6-14. OCA must preface this motion by expressing its concern about the wide disparity between the position of this office and that of the Postal Service with respect to detailed documentation of the costs, revenues, and volumes of nonjurisdictional services. In PO Ruling No. R2001-1/42 in the last rate case,<sup>2</sup> which was largely a settled case, the Presiding Officer ruled that material similar to that requested in the interrogatories subject to the Postal Service’s instant objection had to be provided; however, *the direction that the materials be provided was suspended because “a majority of the participants, including the OCA, are signatories (to the settlement agreement).”*

The Commission continued:

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<sup>1</sup> “Partial Objections of the United States Postal Service to Interrogatories of the OCA (OCA/USPS-43-54), filed May 24, 2005.

<sup>2</sup> “Presiding Officer’s Ruling Concerning the OCA’s Motion to Compel Responses to OCA/USPS-231 et seq.” (Ruling No. 42), issued January 29, 2002, at 13 (emphasis added).

*Under these circumstances, there would appear to be no need for the Postal Service to provide the responses ordered herein at this time. Accordingly, the effectiveness of this Ruling is suspended . . . .*

The Postal Service is seeking to settle the current rate case as well; but it is clear from Ruling No. 42 that, under no circumstances, can OCA give serious consideration to settlement until all discovery disputes are resolved and the requested materials provided (and thoroughly studied) by OCA staff. Up to this point in the proceeding, in nearly all earlier instances, the Postal Service has provided materials to OCA informally (and through discovery) in an open, cooperative, and forthright manner. OCA thanks the Postal Service for its earlier cooperation. Unfortunately, as significant disagreements materialize near the end of the discovery stage of the proceeding, the period for OCA's consideration of settlement is necessarily prolonged. Discovery has been a critical goal for OCA since this case was filed, as we have stated explicitly on several occasions. OCA will not enter into agreements of any sort until our discovery objectives have been realized.

The Postal Service's partial objection stated that it would, nevertheless, respond to portions of interrogatories 51-54 (page 9 of objection), parts of 43 including many elements of subparts b-h (page 10 of objection), and part of 46-48 covering some elements of subparts a-l (page 10 of objection). The Postal Service filed some responses on June 2 which purport to respond to portions of interrogatories 43, 46, 51-54, but are not complete. The Postal Service has not responded to questions 44, 45, 47-50.

This motion also requests the Commission to compel a response to OCA/USPS-T6-14 inasmuch as the Postal Service stated in a response filed on May 26, 2005 that

to the extent available, the information requested in the interrogatory would be provided in response to OCA/USPS-43-54. That interrogatory asks witness Tayman to break out the net income figures in his Exhibit No. USPS 6I (Summary of Net Income (Loss) & Equity, FY 1971-FY 2005) as between nonpostal and postal services. The answers filed on June 2 do not refer to exhibit 6I and thus are not responsive to OCA/USPS-T6-14.

The OCA interrogatories cover several subject matter areas all relevant to this rate proceeding. In accordance with the Commission's Rules 26(d) and 27(d), the interrogatories are reproduced in an attachment to this pleading.

Questions 43-45 concern domestic retail services not contained in the Domestic Mail Classification Schedule on a nationwide, regional and local basis, respectively. Questions 46 to 49 relate to pilot tests and operations tests for postal and nonpostal services. Question 50 relates to reports to GAO regarding the Postal Service's eCommerce activities. The Postal Service objection recognized questions 51 and 52 seek an update of material furnished in the last rate case plus additional information that is obviously relevant to those services. Questions 53 and 54 seek further information on the same nonpostal services represented in questions 51 and 52 but focuses on the presence or absence of window clerk activities.

The Postal Service's objections are general and do not deal with specific interrogatories, except by way of example. The Postal Service raises general objections: lack of relevance, undue burden, and commercial sensitivity. No attempt is made to deal individually with the separate interrogatories and so responses to specific objections are not possible.

### Postal Service Partial Response

#### 🕒 Interrogatories 53 and 54.

The Postal Service's responses filed June 2 barely respond to any of the interrogatories. Interrogatory 53 requested underlying calculations and worksheets for the total expense figures for nonpostal services involving window clerk activity plus a list of detailed cost, revenue, net income and allocation data and other information. Interrogatory 54 requested the same information with respect to nonpostal services not involving window clerk activity. The table filed in response to question 53 also includes the activities covered in question 54. It is deficient as to both interrogatories. The response does not provide:

- ③ development costs, start-up costs and capital costs.<sup>3</sup>
- ③ separate identification of common and joint costs for each nonpostal service.<sup>4</sup>
- ③ calculations and worksheets for the total revenue figure of \$239 million in FY 04.<sup>5</sup>
- ③ data for FY 2001 as requested.<sup>6</sup>

In these respects the response to question 53 and 54 fails to respond to the interrogatories and OCA moves to compel those responses.

A theme of the Postal Service's objection is that "detailed information" about "nonpostal" services lacks relevance because "the Commission has yet to reach any

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<sup>3</sup> Question 53, Subparts d, e and f.

<sup>4</sup> Question 53, Subpart g.

<sup>5</sup> Question 53, Subpart i.

<sup>6</sup> Question 53, Subpart j.

firm conclusion to the contrary.”<sup>7</sup> OCA must disagree with this characterization. Both in Ruling No. 42 and a rulemaking proceeding growing out of Consumer Action’s \*2003 Petition, the Commission has declared that the information sought is necessary to protect domestic – jurisdictional – ratepayers from paying expenses and losses for commercial ventures undertaken in secrecy, without any opportunity for the public or the Commission to understand the financial impact and risks of these ventures.<sup>8</sup> Unless the Postal Service fully and thoroughly accounts for every expenditure made in the promotion of such unauthorized activities, the paramount ratemaking provision of the Postal Reorganization Act (PRA) – section 3622(b)(3) of title 39 – will be violated. Domestic postal ratepayers must be assured that the Commission is only allocating to them their attributable costs and other costs that are *reasonably* assignable to them. Paying for frivolous experiments that the Postal Service characterizes as “nonpostal,” i.e., not closely related to the provision of mail services, clearly may not be imposed on postal ratepayers. Having already implicitly conceded that summary figures are legitimately required by the Commission,<sup>9</sup> the Postal Service cannot argue that OCA and the Commission are barred from a full explanation of how those figures are derived. Without comprehensive details and supporting documentation, for all OCA knows the Postal Service might have rolled dice or used a random-digit-generation application to produce the digits supplied. The figures signify nothing unless the means are provided to understand and verify them. Furthermore, the Postal Service’s refusal to explain fully how it has allocated joint and common costs for these services

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<sup>7</sup> Objection at 2.

<sup>8</sup> E.g., Ruling No. 42 at 8 -11; Order No. 1394, “Proposed Rulemaking Concerning Reporting Requirements for Nonpostal Services,” issued March 5, 2004, at 8 – 13.

<sup>9</sup> See, e.g., the responses provided to interrogatory 53.

immediately triggers suspicion that the allocation has either been careless or a deliberate effort to saddle postal ratepayers with expenses that any disinterested observer would agree are not caused by such ratepayers.

Another reason proffered by the Postal Service for not providing financial details is undue burden. The Postal Service states that there is burden in determining what types of nonjurisdictional commercial activities local retail facilities engage in because “the Postal Service has tens of thousands of retail facilities”<sup>10</sup> The Postal Service further admits that such “information . . . typically does not reach Headquarters.”<sup>11</sup> If postal officials at headquarters truly have no idea what kinds of services and products are being sold idiosyncratically by its tens of thousands of retail offices, postal ratepayers and the public should be very alarmed. Is it Postal Service policy to unleash unreviewed, unapproved commercial experiments at the local level in any community in the country? From the sound of it, local officials may have blanket approval to squander significant sums of money (in the aggregate) in the quest to develop new sources of revenue. This may take the form of competition, never authorized by Congress under the PRA, with local businesses that may already be providing such services. It is also risky for postal ratepayers who are being denied any opportunity to say “no” to reckless, poorly managed, money-losing experiments. If Postal Service headquarters truly has no idea about the financial risks taken at the local level, then OCA urges the Commission to direct the Postal Service to undertake such an effort to find out by the time that the next rate case is filed. If the requested information exists at

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<sup>10</sup> Objection at 5.

<sup>11</sup> Id. At 6.

higher management levels (even if less detailed), then OCA asks that the Commission direct the Postal Service to provide it.

The Postal Service sounds another theme in its objection – that is “does not disclose commercial information that could be used by other actors in the same commercial markets . . . .”<sup>12</sup> The reasons favoring disclosure are far more compelling than the Postal Service’s claims of commercial sensitivity. The valuable monopolies over correspondence and recipient mailboxes conferred on the Postal Service by Congress impose congruent obligations. Since the Postal Service does not engage in competition in the marketplace with the disadvantages faced by private commercial entities, competitors and ratepayers run the distinct risk that ratepayer revenues will be used to subsidize money-losing nonjurisdictional ventures. The Postal Service must account for all of its nonjurisdictional commercial activities in a detailed, comprehensive manner to assure the Commission and the public that cross-subsidies prohibited by the PRA are not taking place. Unsupported, unexplained, undocumented summary figures simply do not provide the assurance due under section 3622(b)(3).

🕒 Interrogatories 43 – 45, 47, and 49

The Postal Service response to question 43 merely refers to the response to question 53 as partially responsive but does not specifically respond to each subpart and leaves for OCA to decipher to which portions of which subparts it is responding. It is not clear whether the listing of services in the response to question 53 is entirely responsive to the fundamental request in question 43 to list every domestic retail service sold by the Postal Service to the public. Even assuming that is the case, other subparts of question 43 have not been answered in the response to question 53:

- the date the service was first offered to the public,<sup>13</sup>
- primary purchasers,<sup>14</sup>
- each rate or fee schedule for the service,<sup>15</sup>
- indirect costs for the service including developmental, start-up and capital costs,<sup>16</sup>
- volumes figures,<sup>17</sup>
- since the inception of the service, the total and annual net income and the total revenues and total of all costs.<sup>18</sup>
- a description for each service of how costs that are joint or common are allocated to DMCS services and non-DMCS services.<sup>19</sup>

The Postal Service indicates that “certain summary information” may be available, but that “underlying materials and documentation have not been organized or otherwise prepared for distribution.” OCA submits that the fact that materials have not been organized or prepared is utterly insufficient to withstand OCA’s requests. If underlying materials are maintained in a haphazard, unsystematic way, it calls into question whether the Postal Service takes seriously its statutory obligation to maintain a trustworthy set of separate accounts for nonjurisdictional services. A fair inference may be that the Postal Service does not want to do too good a job of maintaining separate accounts because it might demonstrate losses for nonjurisdictional services far worse

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<sup>12</sup> Id. At 7.  
<sup>13</sup> Question 43, Subpart d.  
<sup>14</sup> Question 43, Subpart f.  
<sup>15</sup> Question 43, Subpart i.  
<sup>16</sup> Question 43, Subpart j.  
<sup>17</sup> Question 43, Subpart l.  
<sup>18</sup> Question 43, Subparts m-p.  
<sup>19</sup> Question 43, Subpart s.

than the undocumented figures suggest. If the Postal Service's accounting is too disorganized and slipshod to be presented in response to a discovery request, then OCA asks the Presiding Officer to direct the Postal Service to take the necessary steps to organize the materials and submit them for our (and the Commission's) review.

OCA moves to compel responses to these interrogatories.

🕒 Interrogatory 46

The response to 46 regarding pilot tests is deficient. Objections were noted to subparts n and q-v. Thus, outstanding unanswered interrogatories request annual direct and indirect costs including developmental, start-up and capital costs. Also requested are annual and total net income and total revenues and total costs for all years. OCA moves to compel responses to these questions.

🕒 Interrogatory 48

The Postal Service has not answered interrogatory 48, nor has it given any reason for not answering other than the weak explanation that "separate information does not appear within the normal data reporting mechanisms."<sup>20</sup> OCA did not limit its request to normal data reporting mechanisms and an objection of this type is wholly without merit. The Postal Service must make a reasonable effort to inquire of its managers whether such operations tests have been, or are being, undertaken; what postal services are to be benefited from these operations tests; what expenditures are being made to perform such tests; and what mailers or strategic partners are participating. The Postal Service has a history of entering into strategic alliances or

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<sup>20</sup> Objection at 1.

offering potential new services in a discriminatory manner<sup>21</sup> that violates section 3623(b) of title 39 and prevents the Commission from maintaining “a fair and equitable classification system for all mail.” Since interrogatory 48 was directed at potential “postal” services, the Postal Service cannot deny its relevance.

OCA moves to compel a response to this question..

🕒 Interrogatories 51 and 52

The response to question 51 states Electronic Postmark (EPM) is the only service operating in the base year that is relevant to the question. It refers to the table in the response to question 53, yet does not provide all the information requested. For instance, no data is provided for the QIII and QIV of FY 2001. The Postal Service response to question 52 regarding an updating of data for certain other listed nonpostal services refers to the information in the table responding to question 53. Both responses to questions 51 and 52 lack responses to the long list of questions not answered for question 43, noted above.<sup>22</sup>

OCA/USPS-T6-14

This interrogatory asked for a break out of the net income as shown in witness Tayman’s Exhibit No. USPS 6I between postal and nonpostal services. It requests a separate identification of developments costs, start-up costs, and capital costs. Is also asks for separate identification of the common and joint costs fro each “nonpostal” service and in total, and calculations for the allocation of joint and common costs between those services. As noted above, none of that information is provided in the

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<sup>21</sup> See “Complaint of Bulk Access (Batch Processing) of Delivery Confirmation Information for Certified Mail,” filed by Walz Postal Solutions on April 29, 2003, *inter alia*.

<sup>22</sup> Some subpart designations for questions 51 and 52 vary from those in question 43.

response filed May 26 to the interrogatory, neither is it provided in the responses to OCA/USPS-43-54, nor do the latter responses even refer to witness Tayman's Exhibit No. USPS 6I. The Postal Service has not filed a formal objection to OCA/USPS-T6-14. However, because the information requested is similar in both cases, we assume the Postal Service's objections apply to OCA/USPS-T6-14. For the reasons stated below, those objections are insufficient to warrant withholding the requested information.

#### Lack of Relevance

The Postal Service objects that detailed information about nonpostal services lacks relevance to the material issues in this proceeding because, to date, they have been treated as outside the Commission's jurisdiction. Moreover, the Postal Service contends the across-the-board rate increase narrows the issues in this case.

The long accepted standard to be applied in determining if interrogatory responses should be compelled is whether the interrogatory response is likely to produce admissible evidence. We submit that all of the interrogatories meet that standard as they all relate to issues of relevance to this rate proceeding. Regardless of the jurisdictional nature of the services, the Commission can, should, and has determined that it will review the financial information and regulatory implications of all Postal Service activities. An across-the-board rate increase does not narrow those issues; neither has the Postal Service filed any motion to narrow the issues in this proceeding, nor has the Commission narrowed the issues in this proceeding.

Significantly, in the last rate proceeding in Docket No. R2001-1, the presiding officer granted a motion to compel responses to very similar interrogatories to which the

Postal Service now objects.<sup>23</sup> That ruling recognized that even non-jurisdictional services may be subject to inquiry “to determine whether the revenues generated exceed the costs of providing the service.” (Ruling at 9.)

The interrogatories in that proceeding requested similar information concerning specific Postal Service activities which the Postal Service deems nonpostal: USPS eBillPay™, USPS Send Money, USPS Pay@Delivery™, NetPost™ Card Store and Net Post™ Certified Mail. In that case, the Postal Service provided a description of the services and total revenues and operating costs for some nonpostal services. However, the Postal Service objects to providing, pursuant to those same interrogatories, the detailed revenues and operating costs for nonpostal services requested in parts j-k and m-p of OCA/USPS-43-45 and similarly in different subparts of OCA/USPS-46-49. The Postal Service did provide some information in response to OCA/USPS-51 and 52 as updates to the interrogatory responses provided in Docket No. R2001-1 regarding a long list of nonpostal services, but it has not provided the necessary detail.<sup>24</sup>

OCA/USPS-48 and 49 request information, *inter alia*, to determine the impact of pilot tests and operations tests on competition. The impact on competition is of course a matter to be considered by the Commission when classifying a service and in establishing rates.

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<sup>23</sup> “Presiding Officer’s Ruling Concerning the OCA’S Motion to Compel Responses to OCA/USPS-231, *et seq.*” Ruling No. R2001-1/42, January 29,,2002.

<sup>24</sup> These nonpostal services are the “SEDS” umbrella suite of services, including PostECS and Electronic Postmark. Also, included are FirstClass Phone Cards, Retail Merchandise, PostOffice Online, LibertyCash, Dinero Seguro, REMITCO and Sure Money.

The Postal Service objects to the detail of the questions, but detail is necessary to determine the revenues and costs attributable to each of the services offered by the Postal Service. The detail requested is merely for additional cost data or supporting documentation. In OCA's view, the Postal Service must answer questions regarding retail services it provides to the public, and the extent such services recover their variable, fixed, and sunk costs. Likewise, historical information is needed to determine the financial implications of services over time and to assure that there is no hidden subsidization of these services by other jurisdictional services. Historical and current information through the most currently available period in FY 2005 as well as the test year in some instances is necessary to review the manner in which start-up costs, capital costs and expenses were, or will be, attributed.

The presiding officer's Ruling No. R2001-1/42 also noted that the Commission has not yet determined the jurisdictional nature of the services in question. (*Ibid.*) That is still the case. The Commission has an ongoing rulemaking proceeding to define a "postal service" with the intention of subsequently applying that definition to all of the activities of the Postal Service.<sup>25</sup> Thus, in other proceedings the jurisdictional nature of these services is still an issue before the Commission.

In the same ruling in Docket No. R2001-1, the presiding officer further found that (despite the fact that these services had not yet been determined to be postal) "Inquiries seeking financial information and details of each service satisfy the requirements of the Rules" so that the Commission may "examine the effects of the various service offerings rendered by the Postal Service." (Ruling at 10.) It is therefore

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<sup>25</sup> "Notice and Order Concerning Amendment to the Commission's Rules of Practice and Procedure," Docket No. RM2004-1, Order No. 1424, November 12, 2004.

settled that in a rate case, even in the absence of jurisdictional issues regarding the lawfulness of the independent actions of the Postal Service, “it is the regulatory implications of the instant services being provided to the public that may be legitimately explored in this proceeding under Subchapter II of the Act.” (Ruling at 11.)

Following the determination of the definition of a postal service in the ongoing rulemaking proceeding, the Commission must review the nonpostal activities of the Postal Service. However, the procedures that will be followed by the Commission with respect to the rate implications of activities that may or may not fall within the definition of postal services has not been finally resolved. In commenting on the rulemaking, the OCA and Consumer Action suggested that following completion of the definition for a postal service, the Commission undertake an omnibus classification proceeding to review all Postal Service activities for which no classification has been filed. The OCA and Consumer Action urged the Commission to determine whether or not the Postal Service is in compliance with the Postal Reorganization Act, in light of the definition of “postal service” and the Commission’s conclusion in the rulemaking that generally, except in certain circumstances, the Postal Service is not authorized to conduct nonpostal services.<sup>26</sup> But other procedural avenues are also available to the Commission for handling the classification issues related to services the Postal Services deems nonpostal; one of which is to initiate as part of this rate proceeding a review of nonpostal activities to determine appropriate classifications pursuant to §3623 of the Postal Reorganization Act.

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<sup>26</sup> “Office of the Consumer Advocate and Consumer Action Comments on Proposes Amendment to the commission’s Rules,” Docket No. RM2004-1, February 1, 2005 at 9 *et seq.*

Although OCA is not altering its previous proposals for handling these issues, this rate proceeding is potentially one of the procedural avenues for considering whether or not classification is appropriate for activities the Postal Service currently treats as nonpostal. Although the Postal Service is seeking an across-the-board rate increase without any classification changes, the Commission is not precluded from initiating and recommending necessary changes in rate classifications in this proceeding consistent with the Postal Service's authority. As we stated in the OCA's previously noted motion to compel in Docket No. R2001-1:

The current rate and classification request now before the Commission is the appropriate platform for adducing evidence from the Postal Service that will aid in the determination (1) whether the challenged services are postal or nonpostal in character, and (2) whether they are compensatory. If the Postal Service fails to present a complete set of classification and fee proposals before the Commission under sections 3622 and 3623 of title 39, and this matter is raised by a participant in the rate request proceeding, then the Commission should make a determination whether the service in question comports with the policies of the Postal Reorganization Act as set forth in sections 3622 and 3623.

Under section 3623(b), the Commission may submit to the Governors on its own initiative, a recommended decision on changes in the mail classification schedule. OCA, like any other participant in this proceeding, may ask the Commission to determine whether the retail services currently being offered to the public outside the control of the Commission are, in fact, postal services; and if it is determined that they are, whether the Commission should recommend them to the Governors as comporting with the criteria of section 3623. In an omnibus rate case, the Commission has a duty to recommend a full set of postal rates that also meet the criteria of section 3622.

It is universally accepted that the paramount criterion of section 3622 is subpart(b)(3), which requires each type of mail service to bear its attributable costs and a portion of institutional costs. OCA has posed a series of interrogatories for the purpose of eliciting information that will aid in the determination whether the retail services listed above are postal in character and, if they are, whether they are recovering all of their incremental costs plus an appropriate share of institutional costs

Precedent exists for the Commission to make determinations about the postal or nonpostal character of particular services as part of an omnibus rate proceeding. In Docket No. R76-1,<sup>27</sup> the omnibus rate case immediately following the adjudication of *Associated Third Class Mail Users v. United States Postal Service*, 405 F. Supp. 1109 (D.D.C. 1975), the Commission carefully weighed whether particular special services offered by the Postal Service to the public were postal or nonpostal in character.

At this time, review of each of the nonpostal services may appear premature or unnecessary because of the relatively limited nature of the Postal Service's rate request. However, the definition of a postal service may be resolved shortly. In the absence of a full settlement, the rate proceeding may yet expand to a full blown omnibus rate proceeding complete with review and modification of rate classifications. Thus, because interrogatories are permissible where they may lead to the discovery of admissible evidence, at this time the responses to the interrogatories may have further relevance if the Commission decides to consider in this proceeding whether any of these heretofore "nonpostal" services are jurisdictional postal services requiring classification. This is another reason for the Commission to compel responses to the OCA interrogatories.

#### Undue Burden

The Postal Service also objects that providing information on nonpostal services provided at a local level would be an undue burden. However, it prefaces the objection by noting "there is no expectation that the number and scope of nonpostal activities at that level are significant enough to warrant this inquiry." Likewise, neither does OCA

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<sup>27</sup> In Appendix F of PRC Op. R76-1, the Commission was "faced with the problem of determining which of [the special services] are included within the category of 'postal services.'" App. F at 1. The Commission proceeded step by step, examining the characteristics of each special service, before it took the "final step in isolating jurisdictional from nonjurisdictional services." *Id.* at 3. All of this was done in the context of an omnibus rate proceeding.

expect a large number of local nonpostal activities, nor does OCA expect the “identity, quantity, cost and price of every nonpostal item that might ever have been sold” by a local facility. However, a series of apparently different local activities that fall below the radar when looked at locally, may in total rise to the level of a national program, or may be on the way to becoming of nationwide significance. The Postal Service’s headquarters may have established apparently unrelated local test markets around the country for a potentially nationwide program. OCA believes this information is necessary. Thus, this information is relevant to this proceeding.

Passport Photos. After reviewing the Postal Service’s partial response to interrogatories 43 – 54, OCA finds that no information on the commercial retail service – Passport Photos – has been reported. OCA is now concerned that the Postal Service is withholding information on other unclassified retail services. The Postal Service’s *2004 Comprehensive Statement on Postal Operations*, at 49, explicitly states that Passport Photos are among the services sold through the postal retail channel. Indeed, the practice of selling passport photos is now so well established that it merits its own accounting code.<sup>28</sup> The Postal Service may be withholding information on Passport Photo sales as a result of its position that services provided on a local basis are not “significant enough to warrant this inquiry.” Objection at 4.

An examination of the scant information provided in response to interrogatory 53 (part a) demonstrates that IOCS does not even collect data on the clerk time expended on Passport Photos. The only choices available to the data collector are: “U.S. Passport applications, Retail Products, Migratory Bird Stamps, Phonecards, and Selective Service Registration.” According to Attachment Two to the Postal Service’s

response to interrogatory 53, Passport Applications “is a partnership with the US Department of State. . . . [T]he Postal Service receives a fee for processing new Passport Applications. . . . The retail unit charges two fees for the application, one for the Postal Service and one for the Department of State.” At the end of this description, there is a statement that, “In some retail locations, the Postal Service also offers customers the ability to obtain passport photos for an additional fee.” Thus, the Postal Service (appropriately) views Passport Photos as a distinct commercial retail service, not part of the Passport Applications agreement with the State Department; but no means have been provided for charging clerk time to the Passport Photo service. Neither does the “retail products” option in IOCS include Passport Photo service. The descriptions of “Readypost” and “Retail” in Attachment Two apply only to shipping supplies and retail merchandise. The IOCS phrase “retail products” itself clearly refers to “products,” not services. It cannot be determined whether the Postal Service’s inadequate system of accounting for nonjurisdictional products is deliberate or merely slipshod. This serves as but one example of the necessity of having the Postal Service provide all underlying data, calculations, and worksheets so that OCA, other interested participants, and the Commission can verify that domestic postal services are not being burdened with the expenses of nonjurisdictional service activities. The summary, unsourced, unsupported, undocumented revenue and expense figures furnished by the Postal Service are not trustworthy without the means of verifying them. Underlying calculations may be riddled with arithmetic and other types of errors. As well, the Postal Service may deliberately (or through carelessness) be attributing costs that are caused by nonjurisdictional services to classified postal services. Therefore, OCA

urges the Commission to direct the Postal Service to furnish all of the details requested in the subject interrogatories: “all worksheets (whether hardcopy or electronic), computations, and underlying source materials.” The interrogatories also call for “a precise, detailed written description of how costs that are joint or common to (1) DMCS services and (2) services that are not classified in the DMCA have been allocated . . . . give all underlying accounting records, other records, worksheets, calculations, and computations that show the allocation process . . . .” Also, OCA specifically asks the Commission to direct the Postal Service to provide complete financial and operating details for Passport Photos.

Mailing Online. The unusual history of Mailing Online warrants separate discussion from other nonjurisdictional services. As demonstrated by the Postal Service in its Attachment One, Mailing Online lost considerable sums of money in FY 2002 and FY 2003, i.e., \$10.6 million and \$9.2 million, respectively. It lost roughly the same amount of money in FY 2001, approximately \$10.2 million.<sup>29</sup> Thus, Mailing Online lost a total of \$30 million before showing a purported profit of \$276,000 in FY 2004. The proposed Mailing Online experiment was approved by the Commission on June 21, 2000, following a hearing under 39 U.S.C. §3624. Domestic postal ratepayers financed all of the start-up and development costs of the service, but have been repaid with nothing but losses during that period of time that the Postal Service considered Mailing Online a jurisdictional service.

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<sup>29</sup> Total costs of \$5.3 million in Accounting Periods 1-6 and \$5.8 in APs 7 – 13, i.e., \$11.1 million (some of which were shared costs). Revenues in FY 2001 were only \$0.9 million (\$125,196 in APs 1- 6 + \$766,737 in APs 7 – 13). These figures were obtained from two data reports filed with the Commission in Docket No. MC2000-2 on May 11 and November 8, 2001.

The Postal Service has provided none of the financial details for the strategic alliance under which Mailing Online is now offered to the public, although OCA requested them in parts b., d., f., g., and k. of question 53. The Postal Service's accounting for Mailing Online is defective on its face. How can Mailing Online be represented as turning a \$276,000 profit in FY 2004 when it only had revenues of \$1,182,000 in FY 2004, i.e., why isn't the \$30 million loss to postal ratepayers viewed as a development cost to be borne by the nonjurisdictional purchasers of Mailing Online? What price did the new owner of Mailing Online pay to the Postal Service? Did the purchase price include at least partial compensation for the \$30 million loss? By withholding all supporting details (and primary source documents) of the summary figures given in Attachment One, none of these questions can be answered.

OCA's concerns about these losses are further fueled by the strategic partnership that postal managers have forged with the owners and officers of Mailing Online in its new incarnation as a so-called "nonpostal" service. Former postal employee Lee Garvey was the developer of Mailing Online in his last several years at the Postal Service. When Mr. Garvey first testified about Mailing Online in Docket No. MC98-1, proposing a market test for Mailing Online, he was serving as:

a New Business Initiatives Group Program Manager in the Marketing department of the United States Postal Service. . . . responsible for managing the development of Mailing Online, a strategy designed to provide small businesses with convenient internet access to First-Class and Standard Mail.

He proposed an experimental classification for Mailing Online a little over a year later.<sup>30</sup> At that time, he had changed positions and was the:

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<sup>30</sup> USPS-T-1, Docket No. MC2002-2.

Acting Manager in the Electronic Commerce Group of the United States Postal Service. . . . responsible for managing the development of Internet messaging services. This includes developing Mailing Online -- a service strategy designed to provide postal customers with convenient Internet access to First-Class and Standard (A) Mail.

He left the Postal Service abruptly in the Docket No. MC2002-2 proceeding, and Michael Plunkett adopted his testimony.

As best OCA can tell from publicly available information, Mr. Garvey is an officer and/or owner of PosteDigital, the Postal Service's strategic partner in the allegedly "nonpostal" Mailing Online. One wonders immediately upon pondering this sequence of events whether it was Mr. Garvey's intention to have postal ratepayers foot the bill for Mailing Online's start-up costs when he managed its development in his last years at the Postal Service and whether he contemplated taking it over as a strategic partner after he entered the private workforce. One wonders also whether this was a sequence of events contemplated by other postal officials long before Mailing Online was filed with the Commission for a recommended decision. If Mr. Garvey is being personally enriched at a cost borne by postal ratepayers as part of an unreviewed, undisclosed financial arrangement, a strong argument can be made that the losses incurred by Mailing Online even before the experiment was terminated should properly be charged as losses caused by a nonjurisdictional service.

On the other hand, the essential features of Mailing Online never changed when the Postal Service redefined it as a nonjurisdictional service. It has all of the earmarks of a postal service since it inevitably is placed in the First-Class or Standard mailstream. As a postal service, it ought to be subject to review by the Commission, particularly with respect to the rate being charged. When the Mailing Online experiment was approved

by the Commission, the Commission contemplated that if Mailing Online were eventually offered as a permanent service, all of the unrecovered research and development costs from all phases, including the operations, market test and experiment phase, would be recovered through inclusion on an amortized basis in the markup for the permanent service.<sup>31</sup> In the Commission's view, the Service was required to carry those costs for repayment by any future permanent classification. The Postal Service's unlawful refusal to submit Mailing Online (as currently operated) to the Commission as a proposed new classification thus far has deprived the Commission of the opportunity to establish a rate for the service that compensates postal ratepayers for their initial investment. At the very least, if the Postal Service insists on operating Mailing Online outside of the DMCS, the Mailing Online losses must be treated as the responsibility of nonjurisdictional customers.

The Postal Service contends that OCA has an "excessive focus" on historical information. However, information regarding discontinued services is patently relevant under the principles articulated by the Commission in the Mailing Online opinion cited above. The base year in this case is FY 2004. It is important that the Commission have available all of the revenues and costs for all activities of the Postal Service that may have affected the base year. If some services were discontinued well over a year ago, early in FY 2004 or earlier, there could easily have been costs and revenues associated with those services and activities that should be and ought to be available for OCA and Commission review to determine the regulatory impact, if any.

As we said in the OCA motion to compel noted above:

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<sup>31</sup> PRC Op. MC2002-2 at 55.

Since the distinct possibility exists that the Commission may determine these services to be postal in character, the information requested by OCA to determine whether fees charged for these services are compensatory should be required. Information on the incremental costs of providing these services and even the sunk costs<sup>32</sup> of offering these services to the public are essential to an assessment under 39 U.S.C. §3622(b)(3). Moreover, if these are “postal” services, they should be expected to make a contribution to the institutional costs of the Postal Service under criteria 3622(b)(1) – (9). (Motion to Compel at 12.)

We further point out that the issue of Commission review of nonpostal services is not new. The Postal Service has been on notice since at least since the presiding officer’s Ruling No. R2001-1/42 in January, 2002 during Docket No. R2001-1 proceedings that the Commission will find this type of financial information relevant in a rate proceeding. More recently, in the Rulemaking in Docket No. RM2004-1 the Commission indicated a strong likelihood that certain eCommerce activities are likely to be jurisdictional and that in the near future many of these activities may be found to be jurisdictional.<sup>33</sup> If this information is not yet organized, the Postal Service will need to organize it to be able to provide for the Commission the relevant information requested in these OCA interrogatories.

#### Commercial Sensitivity

The Postal Service further claims the breadth and detail of the information sought such as accounting records and source material would be commercially

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<sup>32</sup> Under the principles established in PRC Op. R83-1 (ECOM), paras. 7037–7045, fair and equitable rates for a service that has not recovered its attributable costs over an extended period must include, prospectively, recovery of these sunk costs in the cost coverage component of the rate recommended by the Commission.

<sup>33</sup> For instance, the Commission has strongly hinted that eCommerce activities which the Postal Service has argued are nonpostal appear to be jurisdictional. The Commission stated, “the revised definition covers certain electronic services offered by the Postal Service” (Order 1424 at 4) and further, “As a general matter, the Commission concludes that services offered by the Postal Service that provide

sensitive and therefore objects on that basis. In particular, it objects to questions 47 and 49 in their entirety as they relate to commercially sensitive pilot tests and operations tests. (Partial Objection at 8.) The Postal Service says they “often compete with service offerings of other entities.” (*Ibid.*)

OCA has no objection to the Commission’s providing for protective conditions for data related to pilot tests and operations tests. Protective conditions were provided for in Presiding Officer’s Ruling No. R2001-1/42 and the attachment thereto. A more current statement of protective conditions has already been authorized in this docket.<sup>34</sup>

The Postal Service also objects to providing copies of its eCommerce reports to GAO, even under protective conditions because the detail exceeds any possible relevance to this proceedings citing to, for example, a breakout of expenses by budget line-item of nonpostal eCommerce services. We fail to see how expenses by budget line-item are not relevant to a Commission inquiry. Indeed, we have argued at length, above, that the few responses furnished by the Postal Service suffer from a lack of detail. The Postal Service alleges no harm at all from provision of the reports, merely a disinclination to provide them. We should add that redacting details of reports to GAO would be more burdensome to the Postal Service than simply providing the entire report subject to protective conditions. Also, it is for the OCA and the Commission to determine the details that may be relevant from the report, rather than for the Postal Service to determine on its own which parts of a potential interrogatory response is relevant to the proceedings.

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an alternative to more traditional mail services, such as electronic communication services, would fall within the proposed definition.” (Order No. 1424 at 32.)

Wherefore, OCA respectfully moves the Commission to compel complete responses to OCA interrogatories OCA/USPS-43-54 and to OCA/USPS-T6-14.

Respectfully submitted,

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<sup>34</sup> See "Statement of Compliance with Protective Conditions" adopted in this proceeding with respect to the FED Ex transportation agreement. Presiding Officer's Ruling No. R2005-1/3, May 4, 2005.

OCA/USPS-43. Please list every domestic retail service sold by the Postal Service to the public, on a nationwide basis, that is not contained within the Domestic Mail

Classification Schedule. This interrogatory applies to all services currently offered by

the Postal Service to the public, including philatelic services. This interrogatory also

applies to any services made available to the public since the record was closed in

Docket No. R2001-1, on March 7, 2002, even if such services were terminated prior to

the filing of this set of interrogatories.

a. Provide a detailed description of the service.

b. For each service, state whether or not it is provided, in whole or in part, based on a strategic alliance or contract between the Postal Service and one or more parties.

c. For each service based on a strategic alliance or contract between the Postal Service and one or more parties, list all of the strategic allies and/or parties to the contract.

d. On what date was this service first offered to the public?

e. Is this service still available to the public? If not, when was the service discontinued? State the reasons for discontinuing the service.

f. Provide a description of the primary purchasers of the service.

g. Provide a complete description of the activities performed by the Postal Service in providing the service.

h. Explain how the service is sold, e.g., over the internet, in postal facilities, or in private facilities, etc.

i. Submit each rate/fee schedule for all rates or fees charged to purchasers since the service was first made available to the public. If the rate/fee schedule has changed from time to time, then provide each rate/fee schedule and the date it was changed.

j. Submit all of the annual, accrued direct and indirect costs, separately identified, to provide the service, including, but not limited to, development costs, start-up costs, capital costs, common and joint costs, and costs associated with each service that has been terminated or discontinued.

k. Submit all of the annual revenues earned by the Postal Service in providing the service.

l. Submit annual volume figures for each service, by billing determinant.

m. Submit annual net income (loss) figures for the service since the service was first made available to the public.

n. Submit total revenues for the service for the entire period since the service was first made available to the public.

o. Submit total costs (both start-up and operating) for the entire period

since the service was first made available to the public.

p. Submit total net income (loss) figures for the service since the service was first made available to the public.

q. Give a precise citation in the current filing for every figure submitted in parts j. – p.

r. For calculations and figures not already included in the current rate case, provide all worksheets (whether hardcopy or electronic), computations, and underlying source materials.

s. Give a precise, detailed written description of how costs that are joint or common to (1) DMCS services and (2) services that are not classified in the DMCS have been allocated to the (1) DMCS group and (2) the non-DMCS group. Give all underlying accounting records, other records, worksheets, calculations, and computations that show the allocation process, including citations to the current rate case filing. If the Postal Service does not make such an allocation, explain why not.

OCA/USPS-44. Please list every domestic retail service sold by the Postal Service to the public, on a regional basis, that is not contained within the Domestic Mail Classification Schedule. This interrogatory applies to all services currently offered by the Postal Service to the public. This interrogatory also applies to any services made available to the public since the record was closed in Docket No. R2001-1, on March 7, 2002, even if such services were terminated prior to the filing of this set of interrogatories.

a. Provide a detailed description of the service.

b. For each service, state whether or not it is provided, in whole or in part, based on a strategic alliance or contract between the Postal Service and one or more parties.

c. For each service based on a strategic alliance or contract between the Postal Service and one or more parties, list all of the strategic allies and/or parties to the contract.

d. On what date was this service first offered to the public?

e. Is this service still available to the public? If not, when was the service discontinued? State the reasons for discontinuing the service.

f. Provide a description of the primary purchasers of the service.

g. Provide a complete description of the activities performed by the Postal Service in providing the service.

h. Explain how the service is sold, e.g., over the internet, in postal facilities, or in private facilities, etc.

i. Submit each rate/fee schedule for all rates or fees charged to

purchasers since the service was first made available to the public. If the rate/fee schedule has changed from time to time, then provide each rate/fee schedule and the date it was changed.

j. Submit all of the annual, accrued direct and indirect costs, separately identified, to provide the service, including, but not limited to, development costs, start-up costs, capital costs, common and joint costs, and costs associated with each service that has been terminated or discontinued.

k. Submit all of the annual revenues earned by the Postal Service in providing the service.

l. Submit annual volume figures for each service, by billing determinant.

m. Submit annual net income (loss) figures for the service since the service was first made available to the public.

n. Submit total revenues for the service for the entire period since the service was first made available to the public.

o. Submit total costs (both start-up and operating) for the entire period since the service was first made available to the public.

p. Submit total net income (loss) figures for the service since the service was first made available to the public.

q. Give a precise citation in the current filing for every figure submitted in parts j. – p.

r. For calculations and figures not already included in the current rate case, provide all worksheets (whether hardcopy or electronic), computations, and underlying source materials.

s. Give a precise, detailed written description of how costs that are joint or common to (1) DMCS services and (2) services that are not classified in the DMCS have been allocated to the (1) DMCS group and (2) the non-DMCS group. Give all underlying accounting records, other records, worksheets, calculations, and computations that show the allocation process, including citations to the current rate case filing. If the Postal Service does not make such an allocation, explain why not.

OCA/USPS-45. Please list every domestic retail service sold by the Postal Service to

the public, on a local basis, that is not contained within the Domestic Mail Classification

Schedule. This interrogatory applies to all services currently offered by the Postal Service to the public. This interrogatory also applies to any services made available to

the public since the record was closed in Docket No. R2001-1, on March 7, 2002, even

if such services were terminated prior to the filing of this set of interrogatories.

a. Provide a detailed description of the service.

- b. For each service, state whether or not it is provided, in whole or in part, based on a strategic alliance or contract between the Postal Service and one or more parties.
- c. For each service based on a strategic alliance or contract between the Postal Service and one or more parties, list all of the strategic allies and/or parties to the contract.
- d. On what date was this service first offered to the public?
- e. Is this service still available to the public? If not, when was the service discontinued? State the reasons for discontinuing the service.
- f. Provide a description of the primary purchasers of the service.
- g. Provide a complete description of the activities performed by the Postal Service in providing the service.
- h. Explain how the service is sold, e.g., over the internet, in postal facilities, or in private facilities, etc.
- i. Submit each rate/fee schedule for all rates or fees charged to purchasers since the service was first made available to the public. If the rate/fee schedule has changed from time to time, then provide each rate/fee schedule and the date it was changed.
- j. Submit all of the annual, accrued direct and indirect costs, separately identified, to provide the service, including, but not limited to, development costs, start-up costs, capital costs, common and joint costs, and costs associated with each service that has been terminated or discontinued.
- k. Submit all of the annual revenues earned by the Postal Service in providing the service.
- l. Submit annual volume figures for each service, by billing determinant.
- m. Submit annual net income (loss) figures for the service since the service was first made available to the public.
- n. Submit total revenues for the service for the entire period since the service was first made available to the public.
- o. Submit total costs (both start-up and operating) for the entire period since the service was first made available to the public.
- p. Submit total net income (loss) figures for the service since the service was first made available to the public.
- q. Give a precise citation in the current filing for every figure submitted in parts j. – p.
- r. For calculations and figures not already included in the current rate case, provide all worksheets (whether hardcopy or electronic), computations, and underlying source materials.
- s. Give a precise, detailed written description of how costs that are joint or common to (1) DMCS services and (2) services that are not classified in the DMCS have been allocated to the (1) DMCS group and (2) the non-DMCS group. Give all underlying accounting records, other records, worksheets, calculations, and computations that show

the allocation process, including citations to the current rate case filing. If the Postal Service does not make such an allocation, explain why not.

OCA/USPS-46. Please list every pilot test of a potential domestic postal retail service currently being offered by the Postal Service to one or more potential customers. This interrogatory also applies to any pilot tests made available to one or more potential customers since the record was closed in Docket No. R2001-1, on March 7, 2002, even if such pilot tests were terminated prior to the filing of this set of interrogatories. This interrogatory applies to pilot tests that are nationwide, regional, or local in scope.

- a. Provide a detailed description of the pilot test.
- b. For each pilot test, state whether or not it is provided, in whole or in part, based on a strategic alliance or contract between the Postal Service and one or more parties.
- c. For each pilot test based on a strategic alliance or contract between the Postal Service and one or more parties, list all of the strategic allies and/or parties to the contract.
- d. State the number of participants in the pilot test and describe the nature of their business.
- e. State the geographic scope of the pilot test.
- f. State the criteria for allowing certain mailers (or recipients) to participate, but not others.
- g. Have any mailers (or recipients) asked to participate but were denied the opportunity to participate? If so, state the number so denied and the grounds for the denial.
- h. What classes, and/or postal services or products, are potentially affected by the pilot test? How are they affected?
- i. On what date was this pilot test initiated?
- j. Is this pilot test still being conducted? If not, when was the pilot test discontinued? State the reasons for discontinuing the pilot test.
- k. Provide a description of the primary intended users of the potential service.
- l. Provide a complete description of the activities performed by the Postal Service in conducting the pilot test.
- m. Submit each rate or fee, if any, charged under the pilot test.
- n. Submit all of the annual, accrued direct and indirect costs, separately identified, to conduct the pilot test, including, but not limited to, development costs, start-up costs, capital costs, common and joint

costs, and costs associated with each pilot test that has been terminated or discontinued.

o. Submit all of the annual revenues, if any, earned by the Postal Service in conducting the pilot test.

p. Submit annual volume figures for each pilot test, if any, by billing determinant.

q. Submit annual net income (loss) figures, if any, for the pilot test since the pilot test was first initiated.

r. Submit total revenues for the pilot test, if any, for the entire period since the pilot test was first initiated.

s. Submit total costs (both start-up and operating) for the entire period since the pilot test was first initiated.

t. Submit total net income (loss) figures for the pilot test since the pilot test was first initiated.

u. Give a precise citation in the current filing for every figure submitted in parts n. – t.

v. For calculations and figures not already included in the current rate case, provide all worksheets (whether hardcopy or electronic), computations, and underlying source materials.

OCA/USPS-47. Please list every pilot test of a potential domestic retail service, considered not of a type to be included in the Domestic Mail Classification Schedule,

currently being offered by the Postal Service to one or more potential customers. This

interrogatory also applies to any pilot tests made available to one or more potential

customers since the record was closed in Docket No. R2001-1, on March 7, 2002, even

if such pilot tests were terminated prior to the filing of this set of interrogatories. This

interrogatory applies to pilot tests that are nationwide, regional, or local in scope.

a. Provide a detailed description of the pilot test.

b. For each pilot test, state whether or not it is provided, in whole or in part, based on a strategic alliance or contract between the Postal Service and one or more parties.

c. For each pilot test based on a strategic alliance or contract between the Postal Service and one or more parties, list all of the strategic allies and/or parties to the contract.

d. State the number of participants in the pilot test and describe the nature of their business.

e. State the geographic scope of the pilot test.

f. State the criteria for allowing certain companies, organizations,

agencies, or individuals to participate, but not others.

g. Have any companies, organizations, agencies, or individuals asked to participate but were denied the opportunity to participate? If so, state the number so denied and the grounds for the denial.

h. What classes, and/or postal services or products, are potentially affected by the pilot test? How are they affected?

i. Is the pilot test activity considered a substitute for other mail products or services? Please explain.

j. On what date was this pilot test initiated?

k. Is this pilot test still being conducted? If not, when was the pilot test discontinued? State the reasons for discontinuing the pilot test.

l. Provide a description of the primary intended users of the potential service.

m. Provide a complete description of the activities performed by the Postal Service in conducting the pilot test.

n. Submit each rate or fee, if any, charged under the pilot test.

o. Submit all of the annual, accrued direct and indirect costs, separately identified, to conduct the pilot test, including, but not limited to, development costs, start-up costs, capital costs, common and joint costs, and costs associated with each pilot test that has been terminated or discontinued.

p. Submit all of the annual revenues, if any, earned by the Postal Service in conducting the pilot test.

q. Submit annual volume figures for each pilot test, if any, by billing determinant.

r. Submit annual net income (loss) figures, if any, for the pilot test since the pilot test was first initiated.

s. Submit total revenues for the pilot test, if any, for the entire period since the pilot test was first initiated.

t. Submit total costs (both start-up and operating) for the entire period since the pilot test was first initiated.

u. Submit total net income (loss) figures for the pilot test since the pilot test was first initiated.

v. Give a precise citation in the current filing for every figure submitted in parts o. – u.

w. For calculations and figures not already included in the current rate case, provide all worksheets (whether hardcopy or electronic), computations, and underlying source materials.

x. Give a precise, detailed written description of how costs that are joint or common to (1) DMCS services and (2) services that are not classified in the DMCS have been allocated to the (1) DMCS group and (2) the non-DMCS group. Give all underlying accounting records, other records, worksheets, calculations, and computations that show the allocation process, including citations to the current rate case filing.

If the Postal Service does not make such an allocation, explain why not.

OCA/USPS-48. Please list every operations test of a potential domestic postal retail service currently being offered by the Postal Service to one or more potential customers. This interrogatory also applies to any operations tests made available to

one or more potential customers since the record was closed in Docket No. R2001-1,

on March 7, 2002, even if such operations tests were terminated prior to the filing of this

set of interrogatories. This interrogatory applies to operations tests that are nationwide,

regional, or local in scope.

a. Provide a detailed description of the operations test.

b. For each operations test, state whether or not it is provided, in whole or in part, based on a strategic alliance or contract between the Postal Service and one or more parties.

c. For each operations test based on a strategic alliance or contract between the Postal Service and one or more parties, list all of the strategic allies and/or parties to the contract.

d. State the number of participants in the operations test and describe the nature of their business.

e. State the geographic scope of the operations test.

f. State the criteria for allowing certain mailers (or recipients) to participate, but not others.

g. Have any mailers (or recipients) asked to participate but were denied the opportunity to participate? If so, state the number so denied and the grounds for the denial.

h. What classes, and/or postal services or products, are potentially affected by the operations test? How are they affected?

i. On what date was this operations test initiated?

j. Is this operations test still being conducted? If not, when was the operations test discontinued? State the reasons for discontinuing the operations test.

k. Provide a description of the primary intended users of the potential service.

l. Provide a complete description of the activities performed by the Postal Service in conducting the operations test.

m. Submit each rate or fee, if any, charged under the operations test.

n. Submit all of the annual, accrued direct and indirect costs, separately identified, to conduct the operations test, including, but not limited to, development costs, start-up costs, capital costs, common and joint

costs, and costs associated with each operations test that has been terminated or discontinued.

- o. Submit all of the annual revenues, if any, earned by the Postal Service in conducting the operations test.
- p. Submit annual volume figures for each operations test, if any, by billing determinant.
- q. Submit net income (loss) figures, if any, for the operations test since the operations test was first initiated.
- r. Submit total revenues for the operations test, if any, for the entire period since the operations test was first initiated.
- s. Submit total costs (both start-up and operating) for the entire period since the operations test was first initiated.
- t. Submit total net income (loss) figures for operations test since the operations test was first initiated.
- u. Give a precise citation in the current filing for every figure submitted in parts n. – t.
- v. For calculations and figures not already included in the current rate case, provide all worksheets (whether hardcopy or electronic), computations, and underlying source materials.

OCA/USPS-49. Please list every operations test of a potential domestic retail service, considered not of a type to be included in the Domestic Mail Classification Schedule, currently being offered by the Postal Service to one or more potential customers. This interrogatory also applies to any operations tests made available to one or more potential customers since the record was closed in Docket No. R2001-1, on March 7, 2002, even if such pilot tests were terminated prior to the filing of this set of interrogatories. This interrogatory applies to operations tests that are nationwide, regional, or local in scope.

- a. Provide a detailed description of the operations test.
- b. For each operations test, state whether or not it is provided, in whole or in part, based on a strategic alliance or contract between the Postal Service and one or more parties.
- c. For each operations test based on a strategic alliance or contract between the Postal Service and one or more parties, list all of the strategic allies and/or parties to the contract.
- d. State the number of participants in the operations test and describe the nature of their business.
- e. State the geographic scope of the operations test.
- f. State the criteria for allowing certain companies, organizations,

- agencies, or individuals to participate, but not others.
- g. Have any companies, organizations, agencies, or individuals asked to participate but were denied the opportunity to participate? If so, state the number so denied and the grounds for the denial.
- h. What classes, and/or postal services or products, are potentially affected by the operations test? How are they affected?
- i. Is the operations test activity considered a substitute for other mail products or services? Please explain.
- j. On what date was this operations test initiated?
- k. Is this operations test still being conducted? If not, when was the operations test discontinued? State the reasons for discontinuing the operations test.
- l. Provide a description of the primary intended users of the potential service.
- m. Provide a complete description of the activities performed by the Postal Service in conducting the operations test.
- n. Submit each rate or fee, if any, charged under the operations test.
- o. Submit all of the annual, accrued direct and indirect costs, separately identified, to conduct the operations test, including, but not limited to, development costs, start-up costs, capital costs, common and joint costs, and costs associated with each operations test that has been terminated or discontinued.
- p. Submit all of the annual revenues, if any, earned by the Postal Service in conducting the operations test.
- q. Submit annual volume figures for each operations test, if any, by billing determinant.
- r. Submit annual net income (loss) figures, if any, for the operations test since the operations test was first initiated.
- s. Submit total revenues for the operations test, if any, for the entire period since the operations test was first initiated.
- t. Submit total costs (both start-up and operating) for the entire period since the operations test was first initiated.
- u. Submit total net income (loss) figures for the operations test since the operations test was first initiated.
- v. Give a precise citation in the current filing for every figure submitted in parts o. – u.
- w. For calculations and figures not already included in the current rate case, provide all worksheets (whether hardcopy or electronic), computations, and underlying source materials.
- x. Give a precise, detailed written description of how costs that are joint or common to (1) DMCS services and (2) services that are not classified in the DMCS have been allocated to the (1) DMCS group and (2) the non-DMCS group. Give all underlying accounting records, other records, worksheets, calculations, and computations that show

the allocation process. If the Postal Service does not make such an allocation, explain why not.

OCA/USPS-50. Please provide each of the following four reports:

USPS First, Second, Third, and Fourth Annual Reports for FY 2001 – 2004, submitted in Response to the General Accounting Office Report of December 21, 2001, titled US

Postal Service: Update on E-Commerce Activities and Privacy Protections (GAO-02-79).

If the Postal Service so chooses, these may be filed under protective conditions.

OCA/USPS-51. Please re-submit Attachment 1 to the Postal Service's response to interrogatory OCA/USPS-239, Docket No. R2001-1, dated December 17, 2001, with

additional columns for all quarters since QIII, FY 2001, through the most recent quarter.

a. What is the "SEDS" umbrella suite of services that is cited in footnote 1 of the attachment?

b. Please list every discrete service in the "SEDS" umbrella suite of services.

c. For every discrete service in the "SEDS" umbrella suite of services provide the following (please provide the information requested below separately for PostECS; and Electronic Postmark):

i. Provide a detailed description of the service.

ii. For each service, state whether or not it is provided, in whole or in part, based on a strategic alliance or contract between the Postal Service and one or more parties.

iii. For each service based on a strategic alliance or contract between the Postal Service and one or more parties, list all of the strategic allies and/or parties to the contract.

iv. On what date was this service first offered to the public?

v. Is this service still available to the public? If not, when was the service discontinued? State the reasons for discontinuing the service.

vi. Provide a description of the primary purchasers of the service.

vii. Provide a complete description of the activities performed by the Postal Service in providing the service.

viii. Explain how the service is sold, e.g., over the internet, in postal facilities, or in private facilities, etc.

ix. Submit each rate/fee schedule for all rates or fees charged to purchasers since the service was first made available to the public. If the rate/fee schedule has changed from time to time, then provide each rate/fee schedule and the date it was changed.

x. Submit all of the annual, accrued direct and indirect costs, separately identified, to provide the service, including, but not limited to,

development costs, start-up costs, capital costs, common and joint costs, and costs associated with each service that has been terminated or discontinued.

- xi. Submit all of the annual revenues earned by the Postal Service in providing the service.
- xii. Submit annual volume figures for each service, by billing determinant.
- xiii. Submit annual net income (loss) figures for the service since the service was first made available to the public.
- xiv. Submit total revenues for the service for the entire period since the service was first made available to the public.
- xv. Submit total costs (both start-up and operating) for the entire period since the service was first made available to the public.
- xvi. Submit total net income (loss) figures for the service since the service was first made available to the public.
- xvii. Give a precise citation in the current filing for every figure submitted in parts j. – p.
- xviii. For calculations and figures not already included in the current rate case, provide all worksheets (whether hardcopy or electronic), computations, and underlying source materials.
- xix. Give a precise, detailed written description of how costs that are joint or common to (1) DMCS services and (2) services that are not classified in the DMCS have been allocated to the (1) DMCS group and (2) the non-DMCS group. Give all underlying accounting records, other records, worksheets, calculations, and computations that show the allocation process, including citations to the current rate case filing. If the Postal Service does not make such an allocation, explain why not.

OCA/USPS-52. Please re-submit Attachment 1 to the Postal Service's response to interrogatory OCA/USPS-240, Docket No. R2001-1, dated December 17, 2001, (which provided information for FirstClass Phone Cards; Retail Merchandise; PostOffice Online; LibertyCash; Dinero Seguro; REMITCO; and Sure Money), with additional columns for all quarters since the period included in the "FY 2001" column, through the most recent quarter.

- a. Provide a detailed description of each service listed in the Attachment.
- b. For each service, state whether or not it is provided, in whole or in part, based on a strategic alliance or contract between the Postal Service and one or more parties.
- c. For each service based on a strategic alliance or contract between the Postal Service and one or more parties, list all of the strategic allies and/or parties to the contract.

- d. On what date was this service first offered to the public?
- e. Is this service still available to the public? If not, when was the service discontinued? State the reasons for discontinuing the service.
- f. Provide a description of the primary purchasers of the service.
- g. Provide a complete description of the activities performed by the Postal Service in providing the service.
- h. Explain how the service is sold, e.g., over the internet, in postal facilities, or in private facilities, etc.
- i. Submit each rate/fee schedule for all rates or fees charged to purchasers since the service was first made available to the public. If the rate/fee schedule has changed from time to time, then provide each rate/fee schedule and the date it was changed.
- j. Submit all of the annual, accrued direct and indirect costs, separately identified, to provide the service, including, but not limited to, development costs, start-up costs, capital costs, common and joint costs, and costs associated with each service that has been terminated or discontinued.
- k. Submit all of the annual revenues earned by the Postal Service in providing the service.
- l. Submit annual volume figures for each service, by billing determinant.
- m. Submit annual net income (loss) figures for the service since the service was first made available to the public.
- n. Submit total revenues for the service for the entire period since the service was first made available to the public.
- o. Submit total costs (both start-up and operating) for the entire period since the service was first made available to the public.
- p. Submit total net income (loss) figures for the service since the service was first made available to the public.
- q. Give a precise citation in the current filing for every figure submitted in parts j. – p.
- r. For calculations and figures not already included in the current rate case, provide all worksheets (whether hardcopy or electronic), computations, and underlying source materials.
- s. Give a precise, detailed written description of how costs that are joint or common to (1) DMCS services and (2) services listed in Attachment 1 have been allocated to the (1) DMCS group and (2) the Attachment 1 group. Give all underlying accounting records, other records, worksheets, calculations, and computations that show the allocation process, including citations to the current rate case filing. If the Postal Service does not make such an allocation, explain why not.

t. Attachment 1, as filed on December 17, 2001, appears to have an addition error for LibertyCash, in the line for "Cumulative Balance", and the column "Since Inception." OCA calculates the Cumulative Balance Since Inception at \$4,246,492. If, indeed, an incorrect figure was included in the Attachment to interrogatory 240, then please use a corrected figure in responding to the instant interrogatory.

OCA/USPS-53. Please refer to Attachment F of the Request, at pages 14 -15. There

are 5 unnumbered paragraphs on these pages. For nonpostal services involving window clerk activity (unnumbered paragraph 3), provide all calculations, worksheets,

and primary sources for the total expense figure of \$123 million in FY04.

- a. Please provide the IOCS questions that separately identify "nonpostal" services.
- b. Include all of the accounting expense data referred to in unnumbered paragraph 3.
- c. Display data separately for each discrete "nonpostal" service and show how they sum to the \$123 million total.
- d. Separately identify development costs for each "nonpostal" service and in total.
- e. Separately identify start-up costs for each "nonpostal" service and in total.
- f. Separately identify capital costs for each "nonpostal" service and in total.
- g. Separately identify common and joint costs for each "nonpostal" service and in total. Include all calculations, worksheets, and primary sources for the allocation of joint and common costs between DMCS services and "nonpostal" services.
- h. Separately identify costs associated with each "nonpostal" service that has been terminated or discontinued and in total.
- i. For nonpostal services involving window clerk activity, provide all calculations, worksheets, and primary sources for the total revenue figure of \$239 million in FY04.
- j. Provide all comparable data requested in this interrogatory, including parts a. – i., for Fiscal Years 2001, 2002, 2003, and the most recent quarters of 2005.
- k. Provide test year estimates, i.e., FY2006, by discrete "nonpostal" service and in total, for expenses and revenues. Explicitly state all assumptions made in developing these estimates. Provide all calculations, worksheets, and primary sources used to develop the estimates.

OCA/USPS-54. For nonpostal services with no associated window clerk activity (unnumbered paragraph 4), provide all calculations, worksheets, and primary sources

for the total expense figure of \$7 million in FY04.

- a. Include all of the accounting expense data referred to in unnumbered paragraph 4.
- b. Display data separately for each discrete "nonpostal" service and show how they sum to the \$7 million total.
- c. Separately identify development costs for each "nonpostal" service and in total.
- d. Separately identify start-up costs for each "nonpostal" service and in total.
- e. Separately identify capital costs for each "nonpostal" service and in total.
- f. Separately identify common and joint costs for each "nonpostal" service and in total. Include all calculations, worksheets, and primary sources for the allocation of joint and common costs between DMCS and "nonpostal" services.
- g. Separately identify costs associated with each "nonpostal" service that has been terminated or discontinued and in total.
- h. For nonpostal services with no associated window clerk activity, provide all calculations, worksheets, and primary sources for the total revenue figure of \$44 million in FY04.
- i. Provide all comparable data requested in this interrogatory, including parts a. – i., for Fiscal Years 2001, 2002, 2003, and the most recent quarters of 2005.
- j. Provide test year estimates, i.e., FY2006, by discrete "nonpostal" service and in total, for expenses and revenues. Explicitly state all assumptions made in developing these estimates. Provide all calculations, worksheets, and primary sources used to develop the estimates.

OCA/USPS-T6-14. Please submit Exhibit 6I, "Summary of Net Income (Loss) & Equity,

FY 1971 – FY 2005," with all information broken out separately for (1)

"nonpostal"

services and (2) postal services (domestic and international).

- a. Provide all underlying calculations, worksheets, and primary sources.
- b. State explicitly all assumptions made.
- c. Separately identify development costs for each "nonpostal" service.
- d. Separately identify start-up costs for each "nonpostal" service.
- e. Separately identify capital costs for each "nonpostal" service.
- f. Separately identify common and joint costs for each "nonpostal" service and in total. Include all calculations, worksheets, and primary sources for the allocation of joint and common costs between DMCS/International Mail services and "nonpostal" services.

- g. Separately identify costs associated with each "nonpostal" service that has been terminated or discontinued.
- h. Separately identify the operating costs of each "nonpostal" service.
- i. Separately identify the revenues of each "nonpostal" service.