

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

RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE  
[OCA/USPS-145]

The United States Postal Service hereby provides its response to the above-listed interrogatory of the Office of the Consumer Advocate, dated June 10, 2005. The interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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June 28, 2005

INSTITUTIONAL RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO INTERROGATORY FROM THE OFFICE OF CONSUMER ADVOCATE

**OCA/USPS-145.** Please refer to the response to interrogatory OCA/USPS-46 on June 2, 2005.

a. Confirm that this is the only pilot test of a potential domestic postal retail service that has been undertaken since March 7, 2002.

b. If the statement is not confirmed, then please list all other pilot tests and provide the details requested in interrogatory 46.

**RESPONSE:**

It is noted that neither this interrogatory nor its precursor (OCA/USPS-46) provide a definition for “retail,” which according to the dictionary is “the sale of small quantities to the ultimate consumers.” Webster’s Ninth New Collegiate Dictionary Ed. 1984. If viewed in the context of this definition, the OCA’s use of word “retail” is confusing. The original interrogatory requested a “list of every pilot test of a potential domestic postal retail service currently being offered . . . to one or more potential customers. . . .” It is hard to imagine a retail service or product that the Postal Service would ever develop to sell to a single customer.

Moreover, as technology and the Postal Service change, the possible interpretations to the term “retail” services is likely to change as well. Some may interpret the term according to its more traditional definition as services the Postal Service sells in its retail space, typically the lobby of post offices. Others may interpret in a more modern manner to include sales through any channel. “Retail” could be defined by the type of customer or by the type of product.

Clearly, the Postal Service has not used an overly restrictive interpretation of the term “retail services” when responded to Interrogatory OCA/USPS-46 by

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**Response to OCA/USPS-T-145 continued:**

identifying Friend to Friend as a potential retail service, since that is not a product sold “over

-the-counter.” Nor does the Postal Service use a restrictive interpretation as it responds to the interrogatory below. Still, there is a wide room for interpretation of what the OCA means by “potential domestic postal retail services.”

a. Not confirmed.

b. One other pilot test has been identified: MicroPayments.

--The USPS MicroPayment test was performed to determine if the use of postage stamps affixed to reply cards, as a payment method for low cost items, would be a feasible response mechanism for businesses to use.

--It was not based upon a strategic alliance between the Postal Service and one or more parties.

--There were six participants. Three were non-profit organizations, one was a concert promoter, one was a coin reseller and one was a consumer product sampling company

--The pilot test was a national offering.

--The only screening criterion used was the company's willingness to meet mailpiece and legal criteria for the program.

--No mailers were denied participation. One participant was required to discontinue participation after refusing to meet legal (copyright) requirements.

--There was no significant effect on any classes, products or services.

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**Response to OCA/USPS-T-145 continued:**

--The test was initiated in March 2000 and was cancelled in July 2004 for lack of postal support.

--The primary intended users of this service were businesses who wanted to reach their customers through an innovative response mechanism.

Specifically, businesses that wanted to acquire new customer information through a low cost (or potentially revenue generating) response mechanism.

--The Postal Service collected information from potential business customers through the sales force and signed them to a user agreement. USPS assisted in designing and approving mailpiece design. USPS provided and then processed a refund form for customers at the local Post Office when mailpieces were returned. Then a refund was issued for unused postage. Postage was refunded at 90% of face value pursuant to the DMM.

--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, are as follows:

Testing and Improvement of Image Lift Recognition.

Total: \$1,490,000.

FY01, \$235,000; FY02, \$415,000; FY03, \$420,000;

FY04, \$420,000.

Purchase Equipment to Test System.

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**Response to OCA/USPS-T-145 continued:**

Total: \$194,000.

FY03, \$194,000.

Market Research to Measure Customer Satisfaction, Demand,  
Requirements.

Total: \$50,000.

FY03, \$50,000.

Grand Total: \$1,734,000

--The total test revenue was \$377,000.

--The total test volume was 206,000 pieces.

--There are no annual net income (loss) figures available.

-- There is no precise citation in the current filing for every figure listed  
above.

## **CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

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June 28, 2005