

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE  
(OCA/USPS- 67-72, 74) (July 27, 2006)

The United States Postal Service hereby provides its institutional responses to the following interrogatories of United Parcel Service, filed on July 12, 2006, and due on July 25, 2006:

OCA/USPS-67-72, 74

A response to OCA/USPS-73 is forthcoming. Each answered interrogatory is stated verbatim and is followed by the response. A motion for late acceptance is being filed this day.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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

**OCA/USPS-67.** Please provide national EXFC scores for FY2005 (both quarterly and annual) and FY2006 year-to-date (Q1, Q2, and Q3).

**RESPONSE:**

<b>FY 2006</b>	<b>Overnight</b>	<b>Two-Day</b>	<b>Three-Day</b>
Quarter 1	94.29	87.90	82.89
Quarter 2	94.91	89.31	86.25
Quarter 3	95.31	91.37	90.77

<b>FY 2005</b>	<b>Overnight</b>	<b>Two-Day</b>	<b>Three-Day</b>
Quarter 1	94.93	90.07	85.53
Quarter 2	95.09	89.77	83.17
Quarter 3	95.57	91.95	90.15
Quarter 4	95.21	91.49	89.80
Annual	95.20	90.84	87.25

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**OCA/USPS-68.** The following statement appears in the 2005 USPS Annual Report, at 2:

The External First-Class Mail measurement system (EXFC) measures collection box to mailbox delivery performance. EXFC continually tests a panel of 463 ZIP Code areas selected on the basis of geographic and volume density from which 90% of First-Class Mail volume originates and 80% destines. EXFC is not a system-wide measurement of all First-Class Mail performance.

a. Does EXFC attempt to sample the following in a manner proportional to their occurrence in First-Class volume totals?

- i. Letters
- ii. Machinable letters
- iii. Flats
- iv. Machinable flats
- v. Parcels
- vi. Machinable parcels
- vii. Weight
- viii. Payment by means of stamps
- ix. Payment by means of metered postage
- x. Payment by permit
- xi. Location
- xii. Density of population
- xiii. Income level
- xiv. Age
- xv. Level of education
- xvi. Number of businesses
- xvii. Size of businesses

Please discuss each of these factors. Also please list and discuss any other mail, geographic, and demographic characteristics that are specifically targeted in the EXFC sample but which are not listed above.

b. Are the 463 ZIP code areas noted in the quote above 5-digit areas? Or 3-digit areas? Please explain.

c. How often is the 463-ZIP-code panel selected (and re-selected)?

d. When was the 463-ZIP-code panel last selected? What was the selection date immediately prior to the most recent selection date?

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- e. For the 10% of ZIP codes excluded from eligibility to be selected as an originating ZIP code, what are the reasons for excluding them? Please explain fully all reasons for including certain ZIP codes and excluding others.
- f. For the 20% of ZIP codes excluded from eligibility to be selected as a destinating ZIP code, what are the reasons for excluding them? Please explain fully all reasons for including certain ZIP codes and excluding others.
- g. Does the Postal Service consider EXFC to provide statistically valid measures of First-Class delivery times? Why/why not?
- h. Are EXFC scores used in any way to determine the pay or bonuses for postal managers or supervisors? If so, please explain in full how the scores are used.
- i. For managers whose facilities are in the 10% or 20% of ZIP codes excluded from eligibility, are their pay/bonuses determined differently? If so, how?
- j. DO EXFC scores affect in any way the pay or bonuses for postal laborers (e.g., clerks, mailhandlers, city carriers, or rural carriers)? If so, please explain in full how the scores are used.
- k. For laborers whose facilities are in the 10% or 20% of ZIP codes excluded from eligibility, are their pay/bonuses determined differently? If so, how?

**RESPONSE:**

- (a) i. Letters -- Yes, the mail characteristics used for the EXFC test mail have been established so that the proportion of letters is proportional to the overall proportion of letters in all First-Class Mail.
- ii. Machinable letters -- No, there is not a distinction between machinable and nonmachinable letters in the establishment of EXFC test mail characteristics.
- iii. Flats – Yes, the mail characteristics used for the EXFC test have been established so that the proportion of flats is proportional to the overall proportion of flats in all First-Class Mail.
- iv. Machinable flats – No, there is no distinction between machinable flats and

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nonmachinable flats in the establishment of EXFC test mail characteristics.

v. Parcels – No parcels are tested among the EXFC test mail characteristics. The Postal Service made a decision at the outset of EXFC to focus on postcards, letters, and flats within EXFC.

vi. Machinable parcels – No parcels are tested among the EXFC test mail characteristics.

vii. Weight – EXFC attempts to sample weight, using categories of “Less than or equal to one ounce” and “Greater than one ounce,” proportional to the occurrence in all First-Class Mail.

viii. Payment by means of stamps – Yes, EXFC test mail characteristics have been established so that the proportion of stamped mail is proportion to the overall proportion of total stamped First-Class Mail.

ix. Payment by means of metered postage – Yes, EXFC test mail characteristics have been established so that the proportion of metered mail is proportional to the overall proportion of total metered First-Class Mail.

x. Payment by permit – Permit paid mail is not among the EXFC test mail characteristics. The primary reason for excluding permit mail is that EXFC tests mail sent only from collection boxes. There is also a concern that it would be difficult to protect the confidentiality of EXFC participants if permit accounts were used, since the establishment and funding of such an account requires a high level of interaction with USPS personnel.

xi. Location – The EXFC sample is designed so that each destination

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Performance Cluster receives approximately the same test mail volume each quarter – approximately 4,800 overnight pieces, 1,500 two-day pieces, and 1,500 three-day pieces. These numbers represent the pieces with a destination within the Performance Cluster. The reason for equal sample sizes for each destination is to achieve the same level of statistical precision for each of the destination performance cluster-level and service standard-level on time rates. The origin volumes vary significantly from performance cluster to cluster, based on the proportion of all First-Class Mail the Performance Cluster sends.

xii. Density of population – Population density is not a specific factor used to develop the EXFC sample. However, the proportion of residential and business postal delivery points within each 5-digit ZIP Code is used to determine the proportion of EXFC reporters (test mail receivers) that should be in the ZIP Code. Because there are more 5-digit ZIP Codes than the number of reporters needed, a set of rules have been developed to group 5-digit ZIP Codes together into low, medium, and high delivery point density. Approximately one-third of the reporters are located in each of these three groupings of 5-digit ZIP Codes.

xiii. Income level – Income level is not a factor in the formation of the EXFC sample design. The information is not collected from participants because of the sensitivity of the data and because there was no reason to believe that a participant's income level would be a factor in the transit-time of mail.

xiv. Age – Age is not a factor in the formation of the EXFC sample design. This information is not collected from participants because of the sensitivity of the data and

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because there was no reason to believe that a participant's age would be a factor in the transit-time of mail.

xv. Level of education – Level of education is not a factor in the formation of the EXFC sample design. The information is not collected because there was no reason to believe that the level of education of a participant would impact the transit-time of their mail.

xvi. Number of businesses – The number of business delivery points is included in the process described in xii above, and EXFC business reporters would more likely be located within the ZIP Codes with the highest number of businesses. However, the proportion of test mail going to business reporters within EXFC may be much lower than the proportion of all First-Class mail sent to businesses, primarily due to the exclusion of medium and large businesses as EXFC reporters.

xvii. Size of businesses – EXFC includes only small businesses, typically with fewer than 20 employees, such that there is no mail room involved and the process for receiving mail does not involve any third party or additional handling of mail between postal delivery and the EXFC reporter.

The EXFC test mail characteristics are also established such that the ratio of hand-written addresses to machine-printed addresses is proportional to the ratio of the same among all First-Class Mail. There is an annual process to review the EXFC kit characteristics and to make adjustments to reflect changes in the actual First-Class Mail.

(b) The 463 ZIP Code areas are 3-digit ZIP Code areas, comprised of all the

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5-digit areas within.

(c) There is no established time period for re-selecting the ZIP Code panel.

(d) The current panel of 463 ZIP Code areas measured in EXFC was set in July 2000 when two ZIP Code areas were removed from the selected panel. The selection date immediately prior to the most recent selection date was in the summer of 1998 for EXFC testing beginning at the start of FY 1999. This selection process increased the selected ZIP Code sample from 302 ZIP Code areas to 465 ZIP Code areas.

(e) There are actually more than 400 3-Digit ZIP Code areas that are not included in the panel of selected ZIP Codes. Collectively, these ZIP Code areas represented only about 10% of the originating First-Class mail volume. The ZIP Code selection process used for the expansion for FY1999 focused on including ZIP Code areas to represent every major mail processing and distribution center, every state, and ZIP Codes such that the highest and mid-size volume origin/destination pairs were included. ZIP Codes which were not selected typically had less mail volume than selected ZIP Codes (compared with ZIP Codes in the same Performance Cluster) and had mail processed within the same mail processing and distribution center of an already selected ZIP Code.

The Postal Service had both business as well as operational reasons for the ZIP Codes selected and not selected. The cost to include every ZIP Code area was evaluated and deemed too high when considered in 1998, and a selection approach was developed to expand the geographic and volume coverage to the present level. The Postal Service

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desired a stable set of selected ZIP Code areas in EXFC, as opposed to a rotating system or random sample, in order to track performance over time.

(f) As on the origin side, there are more than 400 3-Digit ZIP Code areas excluded from testing as destinations. A decision was made by the Postal Service to have the origin ZIP Code areas be the same as the destination ZIP Code areas. The selection process used in 1998 reviewed both originating and destinating mail volumes to make the selections.

(g) Yes. EXFC is an external measurement system of collection box to mailbox delivery performance. EXFC continuously tests a panel of 463 ZIP Code areas selected on the basis of geographic and volume density from which 90 percent of First-Class volume originates and 80 percent destinate.

The system uses probabilistic methods in order to provide statistically valid measures of collection box to mail box delivery times for First-Class Mail. As a result, the Postal Service considers EXFC to provide statistically valid measures of First-Class delivery times for the ZIP Code areas measured and for mail sent from collection boxes to residences and small businesses.

(h) Yes. EXFC scores are a factor in determining pay raises or bonuses. Every field EAS and PCES employee is measured on EXFC scores for Overnight, 2-Day, and 3-Day. The EXFC scores make a contribution to the final NPA rating. The final NPA rating for all units is transferred to the Performance Evaluation System (PES) at the end of the year where PES applies core requirement results.

(i) No, they are not determined differently. All managers receive EXFC

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service score measurements at either the Performance Cluster level or area level. The number of ZIP Codes excluded is a small portion of any one cluster so these ZIP Codes have no impact on the overall Cluster or Area ratings.

(j)-(k) No, craft employees are not part of the pay for performance system. NPA and PES measures EAS and PCES positions only.

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**OCA/USPS-69.** Please provide Priority Mail Product Tracking System (PTS) scores for FY2005 (both quarterly and annual) and for FY2006 year-to-date (Q1, Q2, and Q3).

- a. Please explain what services ancillary to Priority Mail (e.g., Delivery Confirmation, Certified Mail, and Insurance) are used in PTS to determine days for delivery.
- b. Also address how PTS handles multiple ancillary services applied to individual Priority Mail mailpieces (e.g., Certified Mail and Insurance purchased for the same piece).
- c. In order to “start the clock” on a piece that will contribute to the PTS delivery score, must there be an entry scan by a Postal Service employee (e.g., at a retail window or BMEU)? Please explain. Are Priority Mail pieces that have been dropped into a collection box given an entry scan at the first (or subsequent) facilities to which they are brought in order to “start the clock?” Please explain.
- d. In order to “stop the clock” on a piece that will contribute to the PTS delivery score, must there be a delivery (or attempted delivery) scan at the recipient’s mail receptacle? Please explain.

**RESPONSE:**

The Postal Service did not start measuring Priority Mail service performance using Delivery Confirmation until FY 2006, so it does not have any available FY 2005 data that could be comparable to FY 2006 data. PTS data are available for the first two quarters of FY 2006.

2006 PQ1	Service	Pieces	On-time	OT%
	O/N	843,660	701,744	83.18%
	Within 2-Days	6,955,766	5,146,684	73.99%
2006 PQ2	Service	Pieces	On-time	OT%
	O/N	876,464	763,432	87.10%
	Within 2-Days	6,387,464	5,533,818	86.64%

- (a) The PTS will calculate a scheduled delivery date on Priority Mail where purchased with one or more of the following special services provided other dependent criteria are met:

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Certified Mail  
Numbered Insured Mail  
Delivery Confirmation  
Signature Confirmation

(b) The PTS uses a combination of pre-defined service types and mail class data elements to identify the class and special services purchased with a mail piece. Further, the PTS generates summary data for specific product/services. Where a mail piece record meets the criteria to be included in a specific summary data file, the PTS includes the mail piece in the file.

(c) Pieces included in Delivery Confirmation Priority Mail Reporting must have a Package Identification Code, whose service type code corresponds with retail Priority Mail service, and a retail "Acceptance," which generally takes place at a retail unit.

(d) No. While Delivered and Attempted are both considered "Stop the Clock" scan events, there are other events that are also considered "Stop the Clock" events.

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**OCA/USPS-70.** Please provide Priority End-to-End (PETE) scores for FY2005 (both quarterly and annual) and for FY2006 year-to-date (Q1, Q2, and Q3).

- a. Has the Postal Service made a decision to stop using PETE entirely?
- b. Will PETE continue to be used as an internal measurement tool? Please explain.
- c. If all PETE data collection is going to be terminated, when will this occur?
- d. If a decision has been made to discontinue PETE, what are the reasons for doing so?

**RESPONSE:**

- a. Yes.
- b. No. It has been replaced with Delivery Confirmation Priority Mail - Retail (DCPM-R).
- c. Data collection for PETE terminated on September 30, 2005.
- d. Priority Mail service measurements were enhanced in FY 2006 by changing from Priority End-To-End (PETE), a test piece sample method, to an actual piece measurement system using customer-purchased Priority Mail Delivery Confirmation at postal retail units nationwide. As a result, the sample size increased dramatically. The unique Delivery Confirmation number provides accurate acceptance and delivery dates and times, and measures the actual customer experience. Results of the change are that this new method provides a more representative mail mix and provides the actual service seen by the customer on their individual mail pieces.

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**OCA/USPS-71.** Please provide Express Mail Product Tracking System (PTS) scores for FY2005 (both quarterly and annual) and for FY2006 (Q1, Q2, and Q3).

a. What barcode(s) are used to “start the clock” for purposes of developing PTS delivery scores – the Express Mail envelope, ancillary services? Please explain.

b. What barcode(s) are used to “stop the clock” for purposes of developing PTS delivery scores – the Express Mail envelope, ancillary services? Please explain.

c. Also address how PTS handles multiple ancillary services applied to individual Express Mail pieces (e.g., Certified Mail or Insurance purchased for the Express Mail piece).

**RESPONSE:**

The requested quarterly scores were provided in the response to OCA/USPS-2 and the annual score for FY 2005 was provided in response to OCA/USPS-T34-1(c).

- (a) Express Mail "A" or "B" label
- (b) Express Mail "A" or "B" label
- (c) See response to OCA/USPS-69.

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**OCA/USPS-72.** Please provide Electronic Marketing Reporting System (EMRS) scores for FY2005 (both quarterly and annual) and for FY2006 year-to-date (Q1, Q2, and Q3).

- a. Has the Postal Service made a decision to stop using EMRS?
- b. Will EMRS continue to be used for any purpose, including as an internal measurement tool? Please explain.
- c. If EMRS data collection is going to be terminated, when will this occur?
- d. If a decision has been made to discontinue EMRS, what are the reasons for doing so?

**RESPONSE:**

The Postal Service does not use EMRS as an on-time performance reporting system.

(a) No. However, many of the previous functions provided by EMRS have been migrated to other data systems

(b) Yes, EMRS will be used for other purposes regarding Express Mail; however, internal measurement is not one of those purposes.

(c)-(d) The postal has not made a final decision on termination of EMRS.

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**OCA/USPS-74.** The media have reported recently that the Postal Service has entered into a contract with United Parcel Service (UPS) to transport mail.

a. Please explain the nature of the contract, i.e., (1) what classes of mail will be transported, (2) whether the “timeliness” of transport is spelled out in the contract, and (3) the volume of mail to be transported.

b. Please discuss whether there is an expectation for the Test Year that service performance will improve as a result of the contract. Explain fully the impact on service performance for any classes of mail affected.

c. Please state whether any costs estimated in the initial filing on May 3, 2006, will be revised to reflect the new contract. Please file all such revisions. If no revisions are to be filed, please explain why not.

**RESPONSE:**

(a) (1) First-Class Mail and Priority Mail will be transported under the contract; (2) The contract does contain service standard requirements; and (3) The contract does not guarantee that a specific volume will be transported.

(b) It is expected, generally, that service performance for First-Class Mail will improve. The Postal Service is not, however, able to provide an estimate of such improvement.

(c) It is not possible, at this time, to provide an estimate of cost reductions that may result from the new contract. Therefore, there will not be any revisions to cost estimates to reflect the new contract.

## 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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