

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

RATE AND SERVICE CHANGES TO IMPLEMENT
BASELINE NEGOTIATED SERVICE AGREEMENT
WITH BANK OF AMERICA CORPORATION

Docket No. MC2007-1

**RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS AYUB TO INTERROGATORIES OF THE OFFICE OF CONSUMER
ADVOCATE (OCA/USPS-T1-13-16, AND 17, PARTS (A)-(D))
(March 9, 2007)**

The United States Postal Service hereby provides the response of witness Ayub to the following interrogatories of the Office of Consumer Advocate: OCA/USPS-T1-13-16, and 17, parts (a)-(d), filed on February 22, 2007. The interrogatories are stated verbatim and are followed by the response. The Postal Service's response to OCA/USPS-T1-17(e) will be forthcoming.

UNITED STATES POSTAL SERVICE

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OCA/USPS-T1-13. Please refer to your testimony at page 9, lines 8-19.

- a. Please confirm that Bank of America (BAC) is currently a CONFIRM service subscriber. If you do not confirm, please explain.
- b. On what date did BAC become a CONFIRM service subscriber? Has BAC been a CONFIRM service subscriber continuously since that date? Please explain.
- c. Please confirm that BAC has already activated OneCode CONFIRM service. If you do not confirm, please explain. If you do confirm, please provide the date BAC activated OneCode CONFIRM service.

RESPONSE:

- a) Not confirmed. BAC does not subscribe to CONFIRM, although a small portion of its mail receives CONFIRM service through third-party resellers.
- b) Not applicable. As noted in response to (a), BAC does not subscribe to CONFIRM.
- c) Not confirmed. The Postal Service does not require CONFIRM service subscribers to adopt OneCode CONFIRM service.

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OCA/USPS-T1-14. Please refer to your testimony at page 9, lines 15-16, which states, “The CONFIRM markings will enable the Postal Service to capture the scan data needed to measure performance for read and accept rates.”

- a. Please define and explain the term “markings” as used in this sentence.
- b. Please provide an example of a mailpiece scan record available to a CONFIRM service subscriber that does not utilize OneCode CONFIRM service, and explain the data contained in the mailpiece scan record.
- c. Please provide an example of a mailpiece scan record available to a CONFIRM service subscriber that utilizes OneCode CONFIRM service, and identify and explain the data contained in the mailpiece scan record.
- d. Please identify any differences in the data provided in the mailpiece scan records presented in response to parts b. and c., above.
- e. Please identify and explain how the data in the mailpiece scan record available to a CONFIRM service subscriber that utilizes OneCode CONFIRM service will permit the Postal Service to measure performance for read and accept rates.

RESPONSE:

a) The term “markings” refers to the portion of the intelligent mail barcode that contains the CONFIRM requirements. The Intelligent Mail Barcode is a “height-modulated” barcode that contains 31-digit string of mailpiece data encoded into 65 vertical bars. The phrase “CONFIRM markings,” as I use it in my testimony, refers to the portion of Intelligent Mail Barcode that contains a “Service Type Identifier” which is a 3-digit field that indicates whether the mailer participates in certain USPS service programs. The following are some examples: First-Class Mail with Destination Confirm, Standard Mail with Destination Confirm, Periodicals with Destination Confirm, Origin Confirm, First-Class Mail with Address Service Requested, and First-Class Mail with Destination Confirm & Address Service Requested.

b) Please see an example of typical mailpiece scan record information available to a CONFIRM service subscriber that does not utilize OneCode CONFIRM service below. The record contains the following data fields: Facility ID (Zip), Sort Operation, Date & Time, POSTNET and PLANET code information.

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Facility ID (ZIP)	Sort Operation	Date & Time	POSTNET	PLANET
57104,919,	12/21/2006	04:10:34,	57401317223,	4212345000001

c) Please see an example of a mailpiece scan record information available to a CONFIRM service subscriber that utilizes OneCode CONFIRM service below. The record provides the same data as identified in the response to part (b) above. Additionally, this record contains an Intelligent Mail Barcode that allows the Postal Service to determine whether the mailer participates in any of the USPS service programs listed in my response to part 14(a) above and may contain information added the mailer on special services and other features associated with the mailpiece.

Facility ID (ZIP)	Sort Operation	Date & Time	POSTNET	PLANET	Intelligent Mail Barcode
57104,919,	12/21/2006	04:10:34,	57401317223,	0004201234500	0000001

d) The difference in the data that can be provided in the scan record of a mailpiece that uses the OneCode (Intelligent Mail Barcode) Confirm versus one that does not is that the Intelligent Mail Barcode (IMB) option allows the mailer to embed information on special-services and other characteristics of the mailpiece in the barcode. For example, mailers can embed information required to use ACS or CONFIRM into the IMB, instead of using a separate barcode or endorsement on the mailpiece to meet such requirements. Furthermore, the IMB can provide the Postal Service with more

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information about the characteristics of a specific mailpiece, such as its rate and possibly its shape, than currently can be provided.

e) The CONFIRM reports will contain data gathered from a scan of each “machine” a mailpiece is processed against. These data can provide insight into DPS and other performance measurements.

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OCA/USPS-T1-15. Please refer to your testimony at Appendix A, “First-Class Mail Processing Improvements,” Page 10. For cells D9 to V13 (inclusive), please show all calculations, and provide citations to all sources, used to derive the BAC First-Class Mail Accept Rate Improvements.

RESPONSE:

The calculations I used to derive the BAC First-Class Mail Accept Rate Improvements are shown on Page 10 of Appendix A. I calculated the savings associated with improvements in the Accept Rate of BAC First-Class Mail by taking the accept rates for First-Class Mail and increasing each of those accept rates by the percentages listed in cells D8 through V8 (inclusive). The source for my data on the Accept Rate for First-Class Mail is USPS-LR-L-110 in Docket No. R2006-1, in the spreadsheet under the “Accept” tab. The cost model for this NSA assumes the CRA adjustment is fixed for each kind of performance improvement level, consistent with the assumption in the cost model used in USPS-LR-L-110 in Docket No. R2006-1. Below please find a line-by-line breakdown of my calculations:

Line 1, “Cost per Piece per Rate Category”, reflects the output of the model USPS-LR-L-110 if each of the accept rates referenced above was increased by the percentages listed in cells D8 through V8 (inclusive).

Line 2 contains the different improvement levels.

The figures in Line 3, “Savings per Piece per Rate Category”, represent the difference between the existing “Costs per Piece per Rate Category” in USPS-LR-L-110 in Docket No. R2006-1 and the calculated cost improvements in accept rates shown in Line 2.

Line 4, which shows the “Savings per Rate Category” reflects the savings shown in Line 3, net of the incentives for BAC mail mix.

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OCA/USPS-T1-16. Please refer to your testimony at Appendix A, "Standard Mail Processing Improvements," Page 11. For cells D9 to V12 (inclusive), please show all calculations, and provide citations to all sources, used to derive the BAC Standard Mail Accept Rate Improvements.

RESPONSE:

The methodology I used to derive the BAC Standard Mail Accept Rate Improvements is exactly the same as the methodology described in my response to OCA/USPS-T1-15, except that I used the accept rates for Standard Mail as set forth on in USPS-LR-L-110 in Docket No. R2006-1 on the Tab "ACCEPT" as the basis for my calculations.

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OCA/USPS-T1-17. Please refer to your testimony at Appendix A, "Confirm Pricing," Page 16.

- a. Please confirm that the average number of scans per piece for origin and destination First-Class Mail is 1.85 and 2.76, respectively (see Docket No. R2006-1, Tr. 14/3949, response to OCA/USPS-T40-24(b)-(c)). If you do not confirm, please explain.
- b. Please confirm that the average number of scans per piece for "Other" (primarily Standard Mail) is 2.37 (see Docket No. R2006-1, Tr. 14/3949, response to OCA/USPS-T40-24(b)-(c)). If you do not confirm, please explain.
- c. Please confirm that the average number of scans per piece for First-Class Mail (both origin and destination) is 2.36 $((2,039,135,314 + 3,831,565,244) / (1,100,695,721 + 1,389,396,899))$. (See Docket No. R2006-1, Tr. 14/3949, response to OCA/USPS-T40-24(b)-(c).) If you do not confirm, please explain.
- d. Refer to Line [3]. Please explain the basis for the assumption of one scan per piece for First-Class Mail letters, and the reason for not using the average number of scans per piece for First-Class Mail (both origin and destination) of 2.36.
- e. Refer to Line [4]. Please explain the basis for the assumption of five scans per piece for Standard Mail letters, and the reason for not using the average number of scans per piece for Standard Mail of 2.37.

RESPONSE:

- a) Confirmed.
- b) Confirmed.
- c) Confirmed.
- d) My assumption of one scan per piece for First-Class Mail letters is based on my understanding that a majority of BAC's First-Class Mail is presorted, and therefore would avoid most processing operations at origin. This assumption allowed me to conservatively estimate the total number of CONFIRM scans for First-Class Mail, and the total revenue generated as a result of BAC's use of Confirm. I did not use the average number of scans per piece for First-Class Mail (both origin and destination) of 2.36 because I wanted to make sure that I did not overestimate the total revenue generated as a result of BAC's use of CONFIRM.

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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