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# Official Transcript of Proceedings

*Before the*

## UNITED STATES POSTAL RATE COMMISSION

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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

In the Matter of: POSTAL RATE AND FEE CHANGES

Docket No. R97-1

VOLUME 19-D

### DESIGNATED INSTITUTIONAL RESPONSES OF THE UNITED STATES POSTAL SERVICE

DATE: Friday, December 19, 1997

PLACE: Washington, D.C.

PAGES: 9310 - 9602

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BEFORE THE

POSTAL RATE COMMISSION

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In the Matter of: :

POSTAL RATE AND FEE CHANGES : Docket No. R97-1

- - - - - X

Third Floor Hearing Room

Postal Rate Commission

1333 H Street, N.W.

Washington, D.C. 20268

Volume 19-D

Friday, December 19, 1997

The following documents were transcribed into the  
record.

BEFORE:

HON. EDWARD J. GLEIMAN, CHAIRMAN

HON. W. H. "TREY" LeBLANC, III, COMMISSIONER

HON. GEORGE A. OMAS, COMMISSIONER

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21  
22  
23  
24  
25

## C O N T E N T S

DOCUMENTS TRANSCRIBED INTO THE RECORD:	PAGE
Designated Responses of the United States Postal Service to OCA Interrogatories (continued)	9312
Designated Responses of the United States Postal Service to PSA Interrogatories	9449
Designated Responses of the United States Postal Service to TW Interrogatories	9456
Designated Responses of the United States Postal Service to UPS Interrogatories	9482
Designated Responses of the United States Postal Service to VP-CW Interrogatories	9595
Designated Responses of the United States Postal Service to Questions Posed During Hearings	9602

**Designated Responses of the  
United States Postal Service  
to OCA Interrogatories  
(continued)**



RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS DANIEL

OCA/USPS-T29-6. You state on page 5 that the average clerk and mail handler TY wage rate now has been deaveraged for Remote Encoding Center activities and non-REC activities.

- a. Please describe in detail what you mean by Remote Encoding Center activities, and what they are comprised of.
- b. Why was wage rate deaveraging chosen for such activities?
- c. Within the scope of your testimony, what other activities have been deaveraged for wage rate purposes?
- d. Does the Postal Service have plans for further deaveraging of wage rates in its cost analyses? To the extent such plans include areas outside your immediate testimony, please refer them to an appropriate witness, or the Postal Service for an institutional response.
- e. Within the scope of the operations relating to your testimony, what is the potential for obtaining deaveraged rates for all operations?
- f. Within the scope of the operations relating to your testimony, are operations graded by difficulty, so that, for example, only employees within specific pay ranges and with specific job qualifications can perform those operations?

**RESPONSE:**

- a. Remote Encoding Center activities are activities performed by clerks and mailhandlers at remote encoding centers, where clerks view video images of mailpieces and key address information on those pieces. See page 6 of USPS-T-4. The Remote Encoding Center (REC) wage is the average clerk and mail handler wage for the REC sites as developed in Parts I and VIII of LR-H-146.
- b. Wage deaveraging was chosen as shown at page VIII-2 of LR-H-146 because of the large difference between the wages at REC sites and other mail processing facilities.
- c. See page VIII-2 of LR-H-146.
- d. No.
- e. Wages can be obtained by Labor Distribution Code (LDC). See the response to OCA/USPS-T22-7.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS DANIEL

f. Yes

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS DANIEL

9314

OCA/USPS-T29-7. At page 3, final paragraph, you list various facilities (e.g., outgoing primary, automated area distribution center, etc.) in the mailstream. And at page 1 of Appendix I you use an average wage rate of \$25.445 for all such facilities.

- a. Does the capability exist for the Postal Service to obtain actual wage rate data for each of those facilities, and construct an average wage rate that may differ for each step in the mailstream?
- b. If so, please describe how it would be obtained.
- c. If not, why not?

**RESPONSE:**

- a. The sort levels identified on page 3 lines 24-25 of USPS-T-29 are operations, not facilities. Total salaries and hours data, necessary to compute wages, are available at the Labor Distribution Code (LDC) level, but not by specific MODS operation (e.g. outgoing primary, etc.) or individual operations at non-MODS facilities. LDCs are described in USPS LR-H-146 at pages I-32 to I-38, and LDC costs are presented on pages I-12 to I-26.
- b. Not applicable.
- c. As indicated in subpart (a), total salaries are not available for each MODS operation and individual operations at non-MODS facilities.

RESPONSE OF U.S. POSTAL SERVICE TO  
INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

OCA/USPS-T32-1. Please refer to page 11, lines 2-4 of your testimony. You state that based on 1995 Household Diary Study data, First-Class Mail volume received depends on whether the household is urban or rural.

- a. Please confirm that the data backing up this statement is presented in TABLE 4-3, page IV-8, of the 1995 Household Diary Study. See Attachment 1. If you do not confirm, please provide all documents and data used to support this statement.
- b. Please provide definitions of the various levels of urbanicity (Center of Major Metro Area, Center, Non-Center, Moderate-Sized City, Suburb, Small Town, and Rural) used in the Household Diary study. If these urbanicity levels are defined by ZIP Codes, please provide a file containing ZIP codes and their associated urbanicity levels.
- c. If a Household Diary Study questionnaire response was used to categorize urbanicity, please explain and list all questions relied upon to determine urbanicity.
- d. Please provide the raw data file from which 1995 Household Diary Study tabulations are produced.
- e. Please explain how the Household Diary Study urbanicity levels relate to the Census Bureau's area classifications. See Appendix A to the Technical Documentation for Summary Tape File 3 on CD-ROM for the 1990 Census of Population and Housing. See Attachment 2.

RESPONSE:

- (a) This part not redirected. See response of witness Fronk.
- (b)-(c) The definitions for the various levels of urbanicity are as shown in the 1995 Household Diary Study (USPS Library Reference H-162), Volume II, Appendix A, page A-27, item 72, which presents the entry interview questionnaire given to households. Item 72 is phrased as follows:

72. Type of Area

Center of a Major Metropolitan City (250,000 or more)  
Residential Area Within the City Limits of a Major Metropolitan City (250,000 or more)  
Moderate-Sized City (Self-Contained)  
Suburb  
Small Town  
Rural

RESPONSE OF U.S. POSTAL SERVICE TO  
INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

RESPONSE to OCA/USPS-T32-1 (Continued)

The interviewer fills out the answer to the item after leaving the household, based on his or her knowledge of the area where the interview was taken. There are no further definitions. There is no pairing of ZIP codes to urbanicity definitions.

Note that in TABLE 4-3, page IV-8, of the 1995 Household Diary Study, the term "Non-Center" refers to Residential Area Within the City Limits of a Major Metropolitan City (250,000 or more).

(d) Attached is Table 150 from data provided by the contractor, Chilton Research Services. These data summarize the response to item 72 of the Household Diary Study entry interview for FY 1995 by region and number of adults in the family. Note that Table 150 includes no information on mail pieces received. With regard to urbanicity, it merely shows that, for example, on a weighted basis, 63 (00000) households are found in the center of a major metro area. From Table 4-3, we can see that, in 1995, households located in these areas are reported to receive an average of 7.8 pieces per week. This suggests that, in total, those 63 (00000) households receive approximately 491 (00000) pieces per week (491 is approximately 63 times 7.8). The 491 (00000) figure, however, while derived from data collected from the households in the Study that are located in the center of major metro areas, does not appear in any other Table or data compilation. Regarding the information on urbanicity reported in Table 4-3, therefore, there are no further raw data beyond Table 150.

(e) The 1995 Household Diary Study definitions of urbanicity are as shown in the response to parts (b) and (c) above. As the response indicates, the Household Diary Study interviewer responds to item 72, making that judgment based on his or her knowledge of the area where the interview was taken. There is no attempt to tie Household Diary data to the Census definitions.

U.S.P.S. HOUSEHOLD DIARY STUDY - ENTRY QUESTIONNAIRE - FOURTH QUARTER - YEAR TO DATE (SEPT. 19, 1994 - SEPT. 17, 1995)  
 TABLE 150  
 Q. 72 - TYPE OF AREA

POSTAL REGION	CEN-TRAL SOUTH		EAST SOUTH		WEST		1		2		3		4		5 +	
	NUMBER OF ADULTS	WEIGHTED	NUMBER OF ADULTS	WEIGHTED	NUMBER OF ADULTS	WEIGHTED	NUMBER OF ADULTS	WEIGHTED	NUMBER OF ADULTS	WEIGHTED	NUMBER OF ADULTS	WEIGHTED	NUMBER OF ADULTS	WEIGHTED	NUMBER OF ADULTS	WEIGHTED
UNWEIGHTED BASE	5300	769	1164	1214	1138	1015	1073	3292	668	207	60	5300	769	1164	1214	1138
TOTAL RESPONDENTS	983	150	202	235	210	186	218	594	117	42	11	983	150	202	235	210
CENTER OF A MAJOR METROPOLITAN CITY	63	14	13	12	20	3	19	32	9	3	1	63	14	13	12	20
	100.0	22.6	20.4	19.6	32.2	5.2	29.2	50.2	14.7	4.2	1.7	100.0	22.6	20.4	19.6	32.2
RESIDENTIAL AREA WITHIN THE CITY LIMITS OF A MAJOR METROPOLITAN CITY	181	25	21	52	30	54	49	106	18	6	2	181	25	21	52	30
	100.0	13.9	11.4	28.5	16.4	29.7	26.9	58.8	9.9	3.2	1.1	100.0	13.9	11.4	28.5	16.4
MODERATE-SIZED CITY	269	34	48	70	46	72	54	161	35	15	4	269	34	48	70	46
	100.0	12.5	17.7	25.9	17.0	26.8	20.0	60.0	12.9	5.4	1.6	100.0	12.5	17.7	25.9	17.0
SUBURB	166	45	37	29	37	18	27	110	19	8	2	166	45	37	29	37
	100.0	26.9	22.4	17.5	22.5	10.7	15.9	66.4	11.5	4.8	1.4	100.0	26.9	22.4	17.5	22.5
SMALL TOWN	193	20	53	41	47	32	55	110	22	5	1	193	20	53	41	47
	100.0	10.2	27.3	21.4	24.4	16.8	28.7	56.9	11.4	2.7	0.3	100.0	10.2	27.3	21.4	24.4
RURAL	101	11	29	28	29	5	14	69	13	5	1	101	11	29	28	29
	10.3	7.7	14.1	11.8	13.8	2.5	6.2	11.6	11.0	12.4	7.3	10.3	7.7	14.1	11.8	13.8
NO ANSWER/REFUSED	9	0.9	0.5	1.1	1.3	0.5	1.2	0.9	1.0	0.9	1.3	9	0.9	0.5	1.1	1.3
	0.9	8.1	24.5	32.2	11.7	23.6	20.8	62.2	11.2	5.8	0.1	0.9	8.1	24.5	32.2	11.7
	0.9	0.1	0.2	0.3	0.1	0.2	0.2	0.6	0.1	0.1	0.1	0.9	0.1	0.2	0.3	0.1

CHILLON RESEARCH SERVICES NO. 5344  
 APRIL 1996  
 WEIGHTED NUMBERS ARE REPORTED IN HUNDRED THOUSANDS

ATTACHMENT TO USPS RESPONSE TO  
 OCA/USPS-T32-1b-e

[illegible]

WEIGHTED NUMBERS ARE REPORTED IN HUNDRED THOUSANDS

TAB. 3  
FIRST-CLASS DEMOGRAPHICS - PIECES RECEIVED PER HOUSEHOLD PER WEEK  
POSTAL YEARS 1987, 1994 AND 1995  
EMPLOYMENT OF RESPONDENT

INCOME	1987	1994	1995	TYPE OF DWELLING	1987	1994	1995
<\$7K	4.3	4.6	5.6	White Collar Professional	10.4	11.6	11.9
\$7K-\$9.9K	5.5	5.4	4.7	White Collar Sales/Clerical	7.7	9.4	9.5
\$10K-\$14.9K	6.2	6.8	6.4	Blue Collar Craftsman/Mechanic	6.2	7.0	7.9
\$15K-\$19.9K	7.3	6.6	7.3	Service Worker	6.3	7.3	8.4
\$20K-\$24.9K	7.5	7.2	7.4	Other Employed	6.3	8.2	9.0
\$25K-\$29.9K	8.5	8.1	8.9	Homemaker	8.0	8.6	10.2
\$30K-\$34.9K	9.8	9.0	9.3	Student	8.1	9.2	8.5
\$35K-\$49.9K	10.4	9.9	9.9	Retired	7.8	9.0	9.5
\$50K-\$64.9K	12.6	11.6	12.1	Other Not Employed	5.4	7.6	8.7
\$65K-OVER	15.7	14.4	13.9				
TYPE OF HEAD OF HOUSEHOLD	1987	1994	1995	TYPE OF DWELLING	1987	1994	1995
18-24	4.9	5.2	6.2	Single Family House	9.6	10.2	10.6
25-34	7.3	7.9	7.9	Multifamily House	7.2	7.1	9.8
35-44	9.6	9.3	10.0	Apartment	6.0	6.1	7.1
45-54	10.4	10.9	11.3	Hotel	4.5	--	--
55-64	9.9	10.1	10.9	Boarding House	7.4	3.0	4.0
65-69	8.5	9.6	9.7	Mobile House	5.8	6.2	7.0
70+	7.6	8.4	8.5	Group Quarters	7.4	--	4.0
EDUCATION OF HEAD OF HOUSEHOLD	1987	1994	1995	URBANITY	1987	1994	1995
<8th Grade	5.4	6.2	5.7	Center of Major Metro Area			
Some High School	6.5	6.1	6.1	Center	6.1	7.6	7.8
High School	7.4	8.0	8.2	Non-Center	8.4	9.3	9.0
Some College	8.5	9.3	9.9	Moderate-Sized City	8.2	9.2	9.8
Tech School	8.2	8.6	10.0	Suburb	10.1	10.2	10.9
College	11.0	11.3	11.5	Small Town	7.1	9.1	9.1
Post Graduate	14.6	13.7	14.2	Rural	7.6	8.5	9.7
TYPE OF HOUSEHOLD	1987	1994	1995	NUMBER OF ADULTS	1987	1994	1995
One Person Household	5.5	6.0	6.9	1	5.4	6.3	6.7
Male	5.2	5.7	6.3	2	9.0	9.7	10.1
Female	5.6	6.2	7.2	3	11.0	10.9	11.1
One Adult + Minors	5.2	9.3	7.0	4+	11.5	10.7	11.7
Male	3.9	9.3	6.9				
Female	5.3	--	11.3				
NUMBER OF ADULTS	1987	1994	1995				
Without Children	9.4	10.0	10.3				
One Earner	9.2	9.7	10.6				
Two Earner	9.7	10.2	10.5				
With Children	9.6	10.0	10.4				
One Earner	9.0	8.9	9.7				
Two Earner	10.3	10.7	11.1				

Fluctuations may be due to small sample sizes.



## APPENDIX A. Area Classifications

### CONTENTS

Alaska Native Regional Corporation (ANRC) (See American Indian and Alaska Native Area)	
Alaska Native Village (ANV) (See American Indian and Alaska Native Area)	
Alaska Native Village Statistical Area (See American Indian and Alaska Native Area)	
American Indian and Alaska Native Area	A-1
American Indian Reservation (See American Indian and Alaska Native Area, see County Subdivision)	
American Indian Reservation and Trust Land (See American Indian and Alaska Native Area)	
American Samoa (See Outlying Areas of the United States, see State)	
Area Measurement	A-3
Assessment District (See County Subdivision)	
Block	A-3
Block Group (BG)	A-4
Block Numbering Area (BNA) (See Census Tract and Block Numbering Area)	
Borough (See County Subdivision, see Place)	
Borough and Census Area (Alaska) (See County)	
Boundary Changes	A-4
Census Area (Alaska) (See County)	
Census Block (See Block)	
Census Code (See Geographic Code)	
Census County Division (CCD) (See County Subdivision)	
Census Designated Place (CDP) (See Place)	
Census Division (See Census Region and Census Division)	
Census Geographic Code (See Geographic Code)	
Census Region and Census Division	A-4
Census Subarea (Alaska) (See County Subdivision)	
Census Tract and Block Numbering Area	A-5
Central City (See Metropolitan Area)	
Central Place (See Urbanized Area)	
City (See Place)	
Congressional District (CD)	A-6
Consolidated City (See Place)	
Consolidated Metropolitan Statistical Area (CMSA) (See Metropolitan Area)	
County	A-6
County Subdivision	A-6
Crews of Vessels (See Area Measurement, see Block, see Census Tract and Block Numbering Area)	
Division (See Census Region and Division, see County Subdivision)	
Election District (See County Subdivision, see Voting District)	
Extended City (See Urban and Rural)	
Farm (See Urban and Rural)	
Federal Information Processing Standards (FIPS) Code (See Geographic Code)	
Geographic Block Group (See Block Group)	
Geographic Code	A-7
Geographic Presentation	A-7
Gore (See County Subdivision)	
Grant (See County Subdivision)	
Guam (See Outlying Areas of the United States, see State)	
Hierarchical Presentation (See Geographic Presentation)	
Historic Areas of Oklahoma (See American Indian and Alaska Native Area, Tribal Jurisdiction Statistical Area)	
Historical Counts	A-8
Incorporated Place (See Place)	
Independent City (See County)	
Internal Point	A-8
Inventory Presentation (See Geographic Presentation)	
Land Area (See Area Measurement)	
Latitude (See Internal Point)	
Longitude (See Internal Point)	
Magisterial District (See County Subdivision)	
Metropolitan Area (MA)	A-8
Metropolitan Statistical Area (MSA) (See Metropolitan Area)	
Minor Civil Division (MCD) (See County Subdivision)	
Northern Mariana Islands (See Outlying Areas of the United States, see State)	
Outlying Areas of the United States	A-9
Palau (See Outlying Areas of the United States, see State)	
Parish (Louisiana) (See County)	
Parish Governing Authority District (See County Subdivision)	
Place	A-9
Plantation (See County Subdivision)	
Population or Housing Unit Density	A-11
Precinct (See County Subdivision, see Voting District)	
Primary Metropolitan Statistical Area (PMSA) (See Metropolitan Area)	
Puerto Rico (See Outlying Areas of the United States, see State)	
Purchase (See County Subdivision)	
Region (See Census Region and Census Division)	
Rural (See Urban and Rural)	
Selected States (See County Subdivision, see State)	
State	A-11
Supervisors' District (See County Subdivision)	
Tabulation Block Group (See Block Group)	
TIGER	A-11
Town (See County Subdivision, see Place)	
Township (See County Subdivision)	
Tract (See Census Tract and Block Numbering Area)	
Tribal Designated Statistical Area (TDSA) (See American Indian and Alaska Native Area)	
Tribal Jurisdiction Statistical Area (TJSA) (See American Indian and Alaska Native Area)	
Trust Land (See American Indian and Alaska Native Area)	
United States	A-11
Unorganized Territory (unorg.) (See County Subdivision)	
Urban and Rural	A-11
Urbanized Area (UA)	A-12
Village (See Place)	
Virgin Islands (See Outlying Areas of the United States, see State)	
Voting District (VTD)	A-13
Water Area (See Area Measurement)	
ZIP Code®	A-13

These definitions are for all geographic entities and concepts that the Census Bureau will include in its standard 1990 census data products. Not all entities and concepts are shown in any one 1990 census data product. For a description of geographic areas included in each data product, see appendix F.

### AMERICAN INDIAN AND ALASKA NATIVE AREA Alaska Native Regional Corporation (ANRC)

Alaska Native Regional Corporations (ANRC's) are corporate entities established under the Alaska Native Claims Settlement Act of 1972, Public Law 92-203, as amended by Public Law 94-204, to conduct both business and nonprofit affairs of Alaska Natives. Alaska is divided into

12 ANRC's that cover the entire State, except for the Annette Islands Reserve. The boundaries of the 12 ANRC's were established by the Department of the Interior, in cooperation with Alaska Natives. Each ANRC was designed to include, as far as practicable, Alaska Natives with a common heritage and common interests. The ANRC boundaries for the 1990 census were identified by the Bureau of Land Management. A 13th region was established for Alaska Natives who are not permanent residents and who chose not to enroll in one of the 12 ANRC's; no census products are prepared for the 13th region. ANRC's were first identified for the 1980 census.

Each ANRC is assigned a two-digit census code ranging from 07 through 84. These census codes are assigned in alphabetical order of the ANRC's.

### **Alaska Native Village (ANV) Statistical Area**

Alaska Native villages (ANV's) constitute tribes, bands, clans, groups, villages, communities, or associations in Alaska that are recognized pursuant to the Alaska Native Claims Settlement Act of 1972, Public Law 92-203. Because ANV's do not have legally designated boundaries, the Census Bureau has established Alaska Native village statistical areas (ANVSA's) for statistical purposes. For the 1990 census, the Census Bureau cooperated with officials of the nonprofit corporation within each participating Alaska Native Regional Corporation (ANRC), as well as other knowledgeable officials, to delineate boundaries that encompass the settled area associated with each ANV. ANVSA's are located within ANRC's and do not cross ANRC boundaries. ANVSA's for the 1990 census replace the ANV's that the Census Bureau recognized for the 1980 census.

Each ANVSA is assigned a four-digit census code ranging from 6001 through 8989. Each ANVSA also is assigned a five-digit FIPS code. Both the census and FIPS codes are assigned in alphabetical order of ANVSA's.

### **American Indian Reservation and Trust Land**

**American Indian Reservation**—Federal American Indian reservations are areas with boundaries established by treaty, statute, and/or executive or court order, and recognized by the Federal Government as territory in which American Indian tribes have jurisdiction. State reservations are lands held in trust by State governments for the use and benefit of a given tribe. The reservations and their boundaries were identified for the 1990 census by the Bureau of Indian Affairs (BIA), Department of Interior (for Federal reservations), and State governments (for State reservations). The names

American Indian reservations recognized by State governments, but not by the Federal Government, are followed by "(State)." Areas composed of reservation lands that are administered jointly and/or are claimed

by two reservations, as identified by the BIA, are called "joint areas," and are treated as separate American Indian reservations for census purposes.

Federal reservations may cross State boundaries, and Federal and State reservations may cross county, county subdivision, and place boundaries. For reservations that cross State boundaries, only the portion of the reservations in a given State are shown in the data products for that State; the entire reservations are shown in data products for the United States.

Each American Indian reservation is assigned a four-digit census code ranging from 0001 through 4989. These census codes are assigned in alphabetical order of American Indian reservations nationwide, except that joint areas appear at the end of the code range. Each American Indian reservation also is assigned a five-digit FIPS code; because the FIPS codes are assigned in alphabetical sequence of American Indian reservations within each State, the FIPS code is different in each State for reservations in more than one State.

**Trust Land**—Trust lands are property associated with a particular American Indian reservation or tribe, held in trust by the Federal Government. Trust lands may be held in trust either for a tribe (tribal trust land) or for an individual member of a tribe (individual trust land). Trust lands recognized for the 1990 census comprise all tribal trust lands and inhabited individual trust lands located outside of a reservation boundary. As with other American Indian areas, trust lands may be located in more than one State. Only the trust lands in a given State are shown in the data products for that State; all trust lands associated with a reservation or tribe are shown in data products for the United States. The Census Bureau first reported data for tribal trust lands for the 1980 census.

Trust lands are assigned a four-digit census code and a five-digit FIPS code, the same as that for the reservation with which they are associated. Trust lands not associated with a reservation are presented by tribal name, interspersed alphabetically among the reservations.

### **Tribal Designated Statistical Area (TDSA)**

Tribal designated statistical areas (TDSA's) are areas, delineated outside Oklahoma by federally- and State-recognized tribes without a land base or associated trust lands, to provide statistical areas for which the Census Bureau tabulates data. TDSA's represent areas generally containing the American Indian population over which federally-recognized tribes have jurisdiction and areas in which State tribes provide benefits and services to their members. The names of TDSA's delineated by State-recognized tribes are followed by "(State)." The Census Bureau did not recognize TDSA's before the 1990 census.

Each TDSA is assigned a four-digit census code ranging from 9001 through 9589. The census codes are

assigned in alphabetical order of TDSA's nationwide. Each TDSA also is assigned a five-digit FIPS code in alphabetical order within State.

### **Tribal Jurisdiction Statistical Area (TJSA)**

Tribal jurisdiction statistical areas (TJSA's) are areas, delineated by federally-recognized tribes in Oklahoma without a reservation, for which the Census Bureau tabulates data. TJSA's represent areas generally containing the American Indian population over which one or more tribal governments have jurisdiction; if tribal officials delineated adjacent TJSA's so that they include some duplicate territory, the overlap area is called a "joint use area," which is treated as a separate TJSA for census purposes.

TJSA's replace the "Historic Areas of Oklahoma (excluding urbanized areas)" shown in 1980 census data products. The Historic Areas of Oklahoma comprised the territory located within reservations that had legally established boundaries from 1900 to 1907; these reservations were dissolved during the 2- to 3-year period preceding the statehood of Oklahoma in 1907. The Historic Areas of Oklahoma (excluding urbanized areas) were identified only for the 1980 census.

Each TJSA is assigned a four-digit census code ranging from 5001 through 5989. The census codes are assigned in alphabetical order of TJSA's, except that joint areas appear at the end of the code range. Each TJSA also is assigned a five-digit FIPS code in alphabetical order within Oklahoma.

### **AREA MEASUREMENT**

Area measurements provide the size, in square kilometers (also in square miles in printed reports), recorded for each geographic entity for which the Census Bureau tabulates data in general-purpose data products (except crews-of-vessels entities and ZIP Codes). (Square kilometers may be divided by 2.59 to convert an area measurement to square miles.) Area was calculated from the specific set of boundaries recorded for the entity in the Census Bureau's geographic data base (see "TIGER"). On machine-readable files, area measurements are shown to three decimal places; the decimal point is implied. In printed reports and listings, area measurements are shown to one decimal.

The Census Bureau provides measurements for both land area and total water area for the 1990 census; the water figure includes inland, coastal, Great Lakes, and territorial water. (For the 1980 census, the Census Bureau provided area measurements for land and inland water.) The Census Bureau will provide measurements for the component types of water for the affected entities in a separate file. "Inland water" consists of any lake, reservoir, pond, or similar body of water that is recorded in the Census Bureau's geographic data base. It also includes any river, creek, canal, stream, or similar

### **AREA CLASSIFICATIONS**

Attachment 2 to OCA/USPS-T32-1  
Page 3 of 12  
feature that is recorded in that data base as a two-dimensional feature (rather than as a single line). The portions of the oceans and related large embayments (such as the Chesapeake Bay and Puget Sound), the Gulf of Mexico, and the Caribbean Sea that belong to the United States and its territories are considered to be "coastal" and "territorial" waters; the Great Lakes are treated as a separate water entity. Rivers and bays that empty into these bodies of water are treated as "inland water" from the point beyond which they are narrower than one nautical mile across. Identification of land and inland, coastal, and territorial waters is for statistical purposes, and does not necessarily reflect legal definitions thereof.

By definition, census blocks do not include water within their boundaries; therefore, the water area of a block is always zero. Land area measurements may disagree with the information displayed on census maps and in the TIGER file because, for area measurement purposes, features identified as "intermittent water" and "glacier" are reported as land area. For this reason, it may not be possible to derive the land area for an entity by summing the land area of its component census blocks. In addition, the water area measurement reported for some geographic entities includes water that is not included in any lower-level geographic entity. Therefore, because water is contained only in a higher-level geographic entity, summing the water measurements for all the component lower-level geographic entities will not yield the water area of that higher-level entity. This occurs, for example, where water is associated with a county but is not within the legal boundary of any minor civil division, or the water is associated with a State but is not within the legal boundary of any county. Crews-of-vessels entities (see "Census Tract and Block Numbering Area" and "Block") do not encompass territory and therefore have no area measurements. ZIP Codes do not have specific boundaries, and therefore, also do not have area measurements.

The accuracy of any area measurement figure is limited by the inaccuracy inherent in (1) the location and shape of the various boundary features in the data base, and (2) rounding affecting the last digit in all operations that compute and/or sum the area measurements.

### **BLOCK**

Census blocks are small areas bounded on all sides by visible features such as streets, roads, streams, and railroad tracks, and by invisible boundaries such as city, town, township, and county limits, property lines, and short, imaginary extensions of streets and roads.

Tabulation blocks, used in census data products, are in most cases the same as collection blocks, used in the census enumeration. In some cases, collection blocks have been "split" into two or more parts required for data tabulations. Tabulation blocks do not cross the boundaries of counties, county subdivisions, places, census tracts or block numbering areas, American

Indian and Alaska Native areas, congressional districts, voting districts, urban or rural areas, or urbanized areas. The 1990 census is the first for which the entire United States and its possessions are block-numbered.

Blocks are numbered uniquely within each census tract or BNA. A block is identified by a three-digit number, sometimes with a single alphabetical suffix. Block numbers with suffixes generally represent collection blocks that were "split" in order to identify separate geographic entities that divide the original block. For example, when a city limit runs through data collection block 101, the data for the portion inside the city is tabulated in block 101A and the portion outside, in block 101B. A block number with the suffix "Z" represents a "crews-of-vessels" entity for which the Census Bureau tabulates data, but that does not represent a true geographic area; such a block is shown on census maps associated with an anchor symbol and a census tract or block numbering area with a .99 suffix.

## BLOCK GROUP (BG)

### Geographic Block Group

A geographic block group (BG) is a cluster of blocks having the same first digit of their three-digit identifying numbers within a census tract or block numbering area (BNA). For example, BG 3 within a census tract or BNA includes all blocks numbered between 301 and 397. In some cases, the numbering involves substantially fewer than 97 blocks. Geographic BG's never cross census tract or BNA boundaries, but may cross the boundaries of county subdivisions, places, American Indian and Alaska Native areas, urbanized areas, voting districts, and congressional districts. BG's generally contain between 250 and 550 housing units, with the ideal size being 400 housing units.

### Tabulation Block Group

In the data tabulations, a geographic BG may be split to present data for every unique combination of county subdivision, place, American Indian and Alaska Native area, urbanized area, voting district, urban/rural and congressional district shown in the data product; for example, if BG 3 is partly in a city and partly outside the city, there will be separate tabulated records for each portion of BG 3. BG's are used in tabulating decennial census data nationwide in the 1990 census, in all block-numbered areas in the 1980 census, and in Tape Address Register (TAR) areas in the 1970 census. For purposes of data presentation, BG's are a substitute for the enumeration districts (ED's) used for reporting data in many parts of the United States for the 1970 and 1980 censuses, and in all areas for pre-1970 censuses.

## BOUNDARY CHANGES

The boundaries of some counties, county subdivisions, American Indian and Alaska Native areas, and

many incorporated places, changed between those reported for the 1980 census and January 1, 1990. Boundary changes to legal entities result from:

1. Annexations to or detachments from legally established governmental units.
2. Mergers or consolidations of two or more governmental units.
3. Establishment of new governmental units.
4. Disincorporations or disorganizations of existing governmental units.
5. Changes in treaties and Executive Orders.

The historical counts shown for counties, county subdivisions, and places are not updated for such changes, and thus reflect the population and housing units in the area as delineated at each census. Information on boundary changes reported between the 1980 and 1990 censuses for counties, county subdivisions, and incorporated places is presented in the "User Notes" section of the technical documentation of Summary Tape Files 1 and 3, and in the 1990 CPH-2, *Population and Housing Unit Counts* printed reports. For information on boundary changes for such areas in the decade preceding other decennial censuses, see the *Number of Inhabitants* reports for each census. Boundary changes are not reported for some areas, such as census designated places and block groups.

## CENSUS REGION AND CENSUS DIVISION

### Census Division

Census divisions are groupings of States that are subdivisions of the four census regions. There are nine divisions, which the Census Bureau adopted in 1910 for the presentation of data. The regions, divisions, and their constituent States are:

### Northeast Region

#### *New England Division:*

Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut

#### *Middle Atlantic Division:*

New York, New Jersey, Pennsylvania

### Midwest Region

#### *East North Central Division:*

Ohio, Indiana, Illinois, Michigan, Wisconsin

#### *West North Central Division:*

Minnesota, Iowa, Missouri, North Dakota, South Dakota, Nebraska, Kansas

**South Region***South Atlantic Division:*

Delaware, Maryland, District of Columbia, Virginia, West Virginia, North Carolina, South Carolina, Georgia, Florida

*East South Central Division:*

Kentucky, Tennessee, Alabama, Mississippi

*West South Central Division:*

Arkansas, Louisiana, Oklahoma, Texas

**West Region***Mountain Division:*

Montana, Idaho, Wyoming, Colorado, New Mexico, Arizona, Utah, Nevada

*Pacific Division:*

Washington, Oregon, California, Alaska, Hawaii

**Census Region**

Census regions are groupings of States that subdivide the United States for the presentation of data. There are four regions—Northeast, Midwest, South, and West. Each of the four census regions is divided into two or more census divisions. Prior to 1984, the Midwest region was named the North Central region. From 1910, when census regions were established, through the 1940's, there were three regions—North, South, and West.

**CENSUS TRACT AND BLOCK NUMBERING AREA****Block Numbering Area (BNA)**

Block numbering areas (BNA's) are small statistical subdivisions of a county for grouping and numbering blocks in nonmetropolitan counties where local census statistical areas committees have not established census tracts. State agencies and the Census Bureau delineated BNA's for the 1990 census, using guidelines similar to those for the delineation of census tracts. BNA's do not cross county boundaries.

BNA's are identified by a four-digit basic number and may have a two-digit suffix; for example, 9901.07. The decimal point separating the four-digit basic BNA number from the two-digit suffix is shown in printed reports, in microfiche, and on census maps; in machine-readable files, the decimal point is implied. Many BNA's do not have a suffix; in such cases, the suffix field is left blank in all data products. BNA numbers range from 9501 through 9989.99, and are unique within a county (numbers in the range of 0001 through 9499.99 denote a census tract). The suffix .99 identifies a BNA that was

populated entirely by persons aboard one or more civilian or military ships. A "crews-of-vessels" BNA appears on census maps only as an anchor symbol with its BNA number (and block numbers on maps showing block numbers); the BNA relates to the ships associated with the onshore BNA's having the same four-digit basic number. Suffixes in the range .80 through .98 usually identify BNA's that either were revised or were created during the 1990 census data collection activities. Some of these revisions produced BNA's that have extremely small land area and may have little or no population or housing. For data analysis, such a BNA can be summarized with an adjacent BNA.

**Census Tract**

Census tracts are small, relatively permanent statistical subdivisions of a county. Census tracts are delineated for all metropolitan areas (MA's) and other densely populated counties by local census statistical areas committees following Census Bureau guidelines (more than 3,000 census tracts have been established in 221 counties outside MA's). Six States (California, Connecticut, Delaware, Hawaii, New Jersey, and Rhode Island) and the District of Columbia are covered entirely by census tracts. Census tracts usually have between 2,500 and 8,000 persons and, when first delineated, are designed to be homogeneous with respect to population characteristics, economic status, and living conditions. Census tracts do not cross county boundaries. The spatial size of census tracts varies widely depending on the density of settlement. Census tract boundaries are delineated with the intention of being maintained over a long time so that statistical comparisons can be made from census to census. However, physical changes in street patterns caused by highway construction, new development, etc., may require occasional revisions; census tracts occasionally are split due to large population growth, or combined as a result of substantial population decline. Census tracts are referred to as "tracts" in all 1990 data products.

Census tracts are identified by a four-digit basic number and may have a two-digit suffix; for example, 6059.02. The decimal point separating the four-digit basic tract number from the two-digit suffix is shown in printed reports, in microfiche, and on census maps; in machine-readable files, the decimal point is implied. Many census tracts do not have a suffix; in such cases, the suffix field is left blank in all data products. Leading zeros in a census tract number (for example, 002502) are shown only on machine-readable files.

Census tract numbers range from 0001 through 9499.99 and are unique within a county (numbers in the range of 9501 through 9989.99 denote a block numbering area). The suffix .99 identifies a census tract that was populated entirely by persons aboard one or more civilian or military ships. A "crews-of-vessels" census tract appears on census maps only as an anchor

symbol with its census tract number (and block numbers on maps showing block numbers). These census tracts relate to the ships associated with the onshore census tract having the same four-digit basic number. Suffixes in the range .80 through .98 usually identify census tracts that either were revised or were created during the 1990 census data collection activities. Some of these revisions may have resulted in census tracts that have extremely small land area and may have little or no population or housing. For data analysis, such a census tract can be summarized with an adjacent census tract.

## CONGRESSIONAL DISTRICT (CD)

Congressional districts (CD's) are the 435 areas from which persons are elected to the U.S. House of Representatives. After the apportionment of congressional seats among the States, based on census population counts, each State is responsible for establishing CD's for the purpose of electing representatives. Each CD is to be as equal in population to all other CD's in the State as practicable, based on the decennial census counts.

The CD's that were in effect on January 1, 1990 were those of the 101st Congress. Data on the 101st Congress appear in an early 1990 census data product (Summary Tape File 1A). The CD's of the 101st Congress are the same as those in effect for the 102nd Congress. CD's of the 103rd Congress, reflecting redistricting based on the 1990 census, are summarized in later 1990 data products (STF's 1D and 3D, and 1990 CPH-4, *Population and Housing Characteristics for Congressional Districts of the 103rd Congress* printed reports).

## COUNTY

The primary political divisions of most States are termed "counties." In Louisiana, these divisions are known as "parishes." In Alaska, which has no counties, the county equivalents are the organized "boroughs" and the "census areas" that are delineated for statistical purposes by the State of Alaska and the Census Bureau. In four States (Maryland, Missouri, Nevada, and Virginia), there are one or more cities that are independent of any county organization and thus constitute primary divisions of their States. These cities are known as "independent cities" and are treated as equivalent to counties for statistical purposes. That part of Yellowstone National Park in Montana is treated as a county equivalent. The District of Columbia has no primary divisions, and the entire area is considered equivalent to a county for statistical purposes.

Each county and county equivalent is assigned a three-digit FIPS code that is unique within State. These codes are assigned in alphabetical order of county or county equivalent within State, except for the independent cities, which follow the listing of counties.

## COUNTY SUBDIVISION

County subdivisions are the primary subdivisions of counties and their equivalents for the reporting of decennial census data. They include census county divisions, census subareas, minor civil divisions, and unorganized territories.

Each county subdivision is assigned a three-digit census code in alphabetical order within county and a five-digit FIPS code in alphabetical order within State.

### Census County Division (CCD)

Census county divisions (CCD's) are subdivisions of a county that were delineated by the Census Bureau, in cooperation with State officials and local census statistical areas committees, for statistical purposes. CCD's were established in 21 States where there are no legally established minor civil divisions (MCD's), where the MCD's do not have governmental or administrative purposes, where the boundaries of the MCD's change frequently, and/or where the MCD's are not generally known to the public. CCD's have no legal functions, and are not governmental units.

The boundaries of CCD's usually are delineated to follow visible features, and in most cases coincide with census tract or block numbering area boundaries. The name of each CCD is based on a place, county, or well-known local name that identifies its location. CCD's have been established in the following 21 States: Alabama, Arizona, California, Colorado, Delaware, Florida, Georgia, Hawaii, Idaho, Kentucky, Montana, Nevada, New Mexico, Oklahoma, Oregon, South Carolina, Tennessee, Texas, Utah, Washington, and Wyoming. For the 1980 census, the county subdivisions recognized for Nevada were MCD's.

### Census Subarea (Alaska)

Census subareas are statistical subdivisions of boroughs and census areas (county equivalents) in Alaska. Census subareas were delineated cooperatively by the State of Alaska and the Census Bureau. The census subareas, identified first in 1980, replaced the various types of subdivisions used in the 1970 census.

### Minor Civil Division (MCD)

Minor civil divisions (MCD's) are the primary political or administrative divisions of a county. MCD's represent many different kinds of legal entities with a wide variety of governmental and/or administrative functions. MCD's are variously designated as American Indian reservations, assessment districts, boroughs, election districts, gores, grants, magisterial districts, parish governing authority districts, plantations, precincts, purchases, supervisors' districts, towns, and townships. In some States, all or some incorporated places are not located in any

MCD and thus serve as MCD's in their own right. In other States, incorporated places are subordinate to (part of) the MCD's in which they are located, or the pattern is mixed—some incorporated places are independent of MCD's and others are subordinate to one or more MCD's.

The Census Bureau recognizes MCD's in the following 28 States: Arkansas, Connecticut, Illinois, Indiana, Iowa, Kansas, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nebraska, New Hampshire, New Jersey, New York, North Carolina, North Dakota, Ohio, Pennsylvania, Rhode Island, South Dakota, Vermont, Virginia, West Virginia, and Wisconsin. The District of Columbia has no primary divisions, and the entire area is considered equivalent to an MCD for statistical purposes.

The MCD's in 12 selected States (Connecticut, Maine, Massachusetts, Michigan, Minnesota, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, and Wisconsin) also serve as general-purpose local governments. The Census Bureau presents data for these MCD's in all data products in which it provides data for places.

### **Unorganized Territory (unorg.)**

In nine States (Arkansas, Iowa, Kansas, Louisiana, Maine, Minnesota, North Carolina, North Dakota, and South Dakota), some counties contain territory that is not included in an MCD recognized by the Census Bureau. Each separate area of unorganized territory in these States is recognized as one or more separate county subdivisions for census purposes. Each unorganized territory is given a descriptive name, followed by the designation "unorg."

### **GEOGRAPHIC CODE**

Geographic codes are shown primarily on machine-readable data products, such as computer tape and compact disc-read only memory (CD-ROM), but also appear on other products such as microfiche; they also are shown on some census maps. Codes are identified as "census codes" only if there is also a Federal Information Processing Standards (FIPS) code for the same geographic entity. A code that is not identified as either "census" or "FIPS" is usually a census code for which there is no FIPS equivalent, or for which the Census Bureau does not use the FIPS code. The exceptions, which use only the FIPS code in census products, are county, congressional district, and metropolitan area (that is, metropolitan statistical area, consolidated metropolitan statistical area, and primary metropolitan statistical area).

#### **Census Code**

Census codes are assigned for a variety of geographic entities, including American Indian and Alaska

Native area, census division, census region, county subdivision, place, State, urbanized area, and voting district. The structure, format, and meaning of census codes appear in the 1990 census *Geographic Identification Code Scheme*; in the data dictionary portion of the technical documentation for summary tape files, CD-ROM's, and microfiche.

### **Federal Information Processing Standards (FIPS) Code**

Federal Information Processing Standards (FIPS) codes are assigned for a variety of geographic entities, including American Indian and Alaska Native area, congressional district, county, county subdivision, metropolitan area, place, and State. The structure, format, and meaning of FIPS codes used in the census are shown in the 1990 census *Geographic Identification Code Scheme*; in the data dictionary portion of the technical documentation for summary tape files, CD-ROM's, and microfiche.

The objective of the FIPS codes is to improve the use of data resources of the Federal Government and avoid unnecessary duplication and incompatibilities in the collection, processing, and dissemination of data. More information about FIPS and FIPS code documentation is available from the National Technical Information Service, Springfield, VA 22161.

### **United States Postal Service (USPS) Code**

United States Postal Service (USPS) codes for States are used in all 1990 data products. The codes are two-character alphabetic abbreviations. These codes are the same as the FIPS two-character alphabetic abbreviations.

### **GEOGRAPHIC PRESENTATION**

#### **Hierarchical Presentation**

A hierarchical geographic presentation shows the geographic entities in a superior/subordinate structure in census products. This structure is derived from the legal, administrative, or areal relationships of the entities. The hierarchical structure is depicted in report tables by means of indentation, and is explained for machine-readable media in the discussion of file structure in the geographic coverage portion of the abstract in the technical documentation. An example of hierarchical presentation is the "standard census geographic hierarchy": block, within block group, within census tract or block numbering area, within place, within county subdivision, within county, within State, within division, within region, within the United States. Graphically, this is shown as:



United States  
Region  
Division  
State  
County  
County subdivision  
Place (or part)  
Census tract/ block numbering area  
(or part)  
Block group (or part)  
Block

## Inventory Presentation

An inventory presentation of geographic entities is one in which all entities of the same type are shown in alphabetical or code sequence, without reference to their hierarchical relationships. Generally, an inventory presentation shows totals for entities that may be split in a hierarchical presentation, such as place, census tract/ block numbering area, or block group. An example of a series of inventory presentations is: State, followed by all the counties in that State, followed by all the places in that State. Graphically, this is shown as:

State  
  
County "A"  
County "B"  
County "C"  
  
Place "X"  
Place "Y"  
Place "Z"

## HISTORICAL COUNTS

Historical counts for total population and total housing units are shown in the 1990 CPH-2, *Population and Housing Unit Counts* report series. As in past censuses, the general rule for presenting historical data for States, counties, county subdivisions, and places is to show historical counts only for single, continually existing entities. Stated another way, if an entity existed for both the current and preceding censuses, the tables show counts for the preceding censuses. Included in this category are entities of the same type (county, county subdivision, place) even if they had changed their names. Also included are entities that merged, but only if the new entity retained the name of one of the merged entities. The historical counts shown are for each entity as it was bounded at each census.

In cases where an entity was formed since a preceding census, such as a newly incorporated place or a newly organized township, the symbol three dots "..." is shown for earlier censuses. The three-dot symbol also shown for those parts of a place that have extended to an additional county or county subdivision through annexation or other revision of boundaries since the preceding census.

In a few cases, changes in the boundaries of county subdivisions caused a place to be split into two or more parts, or to be split differently than in the preceding census. If historical counts for the parts of the place as currently split did not appear in a preceding census, "(NA)" is shown for the place in each county subdivision; however, the historical population and housing unit counts of the place appear in tables that show the entire place. For counties, county subdivisions, and places formed since January 1, 1980, 1980 census population and housing unit counts in the 1990 territory are reported in the geographic change notes included in the "User Notes" text section of 1990 CPH-2, *Population and Housing Unit Counts*, and in the technical documentation of Summary Tape Files 1 and 3.

In some cases, population and housing unit counts for individual areas were revised since publication of the 1980 reports (indicated by the prefix "r"). In a number of tables of 1990 CPH-2, *Population and Housing Unit Counts*, 1980 counts are shown for aggregations of individual areas, such as the number, population, and housing unit counts of places in size groups, or urban and rural distributions. Revisions of population and housing unit counts for individual areas were not applied to the various aggregations. Therefore, it may not be possible to determine the individual areas in a given aggregation using the historical counts; conversely, the sum of the counts shown for individual areas may not agree with the aggregation.

## INTERNAL POINT

An internal point is a set of geographic coordinates (latitude and longitude) that is located within a specified geographic entity. A single point is identified for each entity; for many entities, this point represents the approximate geographic center of that entity. If the shape of the entity caused this point to be located outside the boundaries of the entity, it is relocated from the center so that it is within the entity. If the internal point for a block falls in a water area, it is relocated to a land area within the block. On machine-readable products, internal points are shown to six decimal places; the decimal point is implied.

## METROPOLITAN AREA (MA)

The general concept of a metropolitan area (MA) is one of a large population nucleus, together with adjacent communities that have a high degree of economic and social integration with that nucleus. Some MA's are defined around two or more nuclei.

The MA classification is a statistical standard, developed for use by Federal agencies in the production, analysis, and publication of data on MA's. The MA's are designated and defined by the Federal Office of Management and Budget, following a set of official published standards. These standards were developed by



the interagency Federal Executive Committee on Metropolitan Areas, with the aim of producing definitions that are as consistent as possible for all MA's nationwide.

Each MA must contain either a place with a minimum population of 50,000 or a Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties. An MA also may include one or more outlying counties that have close economic and social relationships with the central county. An outlying county must have a specified level of commuting to the central counties and also must meet certain standards regarding metropolitan character, such as population density, urban population, and population growth. In New England, MA's are composed of cities and towns rather than whole counties.

The territory, population, and housing units in MA's are referred to as "metropolitan." The metropolitan category is subdivided into "inside central city" and "outside central city." The territory, population, and housing units located outside MA's are referred to as "nonmetropolitan." The metropolitan and nonmetropolitan classification cuts across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and nonmetropolitan areas.

To meet the needs of various users, the standards provide for a flexible structure of metropolitan definitions that classify an MA either as a metropolitan statistical area (MSA) or as a consolidated metropolitan statistical area (CMSA) that is divided into primary metropolitan statistical areas (PMSA's). Documentation of the MA standards and how they are applied is available from the Secretary, Federal Executive Committee on Metropolitan Areas, Population Division, U.S. Bureau of the Census, Washington, DC 20233.

### Central City

In each MSA and CMSA, the largest place and, in some cases, additional places are designated as "central cities" under the official standards. A few PMSA's do not have central cities. The largest central city and, in some cases, up to two additional central cities are included in the title of the MA; there also are central cities that are not included in an MA title. An MA central city does not include any part of that city that extends outside the MA boundary.

### Consolidated and Primary Metropolitan Statistical Area (CMSA and PMSA)

If an area that qualifies as an MA has more than one million persons, primary metropolitan statistical areas (PMSA's) may be defined within it. PMSA's consist of a large urbanized county or cluster of counties that demonstrates very strong internal economic and social links, in addition to close ties to other portions of the larger

area. When PMSA's are established, the larger area of which they are component parts is designated a consolidated metropolitan statistical area (CMSA).

### Metropolitan Statistical Area (MSA)

Metropolitan statistical areas (MSA's) are relatively freestanding MA's and are not closely associated with other MA's. These areas typically are surrounded by nonmetropolitan counties.

### Metropolitan Area Title and Code

The title of an MSA contains the name of its largest central city and up to two additional city names, provided that the additional places meet specified levels of population, employment, and commuting. Generally, a city with a population of 250,000 or more is in the title, regardless of other criteria.

The title of a PMSA may contain up to three place names, as determined above, or up to three county names, sequenced in order of population. A CMSA title also may include up to three names, the first of which generally is the most populous central city in the area. The second name may be the first city or county name in the most populous remaining PMSA; the third name may be the first city or county name in the next most populous PMSA. A regional designation may be substituted for the second and/or third names in a CMSA title if such a designation is supported by local opinion and is deemed to be unambiguous and suitable by the Office of Management and Budget.

The titles for all MA's also contain the name of each State in which the area is located. Each metropolitan area is assigned a four-digit FIPS code, in alphabetical order nationwide. If the fourth digit of the code is a "2," it identifies a CMSA. Additionally, there is a separate set of two-digit codes for CMSA's, also assigned alphabetically.

### OUTLYING AREAS OF THE UNITED STATES

The Census Bureau treats the outlying areas as the statistical equivalents of States for the 1990 census. The outlying areas are American Samoa, Guam, the Commonwealth of the Northern Mariana Islands (Northern Mariana Islands), Republic of Palau (Palau), Puerto Rico, and the Virgin Islands of the United States (Virgin Islands). Geographic definitions specific to each outlying area are shown in appendix A of the text in the data products for each area.

### PLACE

Places, for the reporting of decennial census data, include census designated places and incorporated places. Each place is assigned a four-digit census code

that is unique within State. Each place is also assigned a five-digit FIPS code that is unique within State. Both the census and FIPS codes are assigned based on alphabetical order within State. Consolidated cities (see below) are assigned a one-character alphabetical census code that is unique nationwide and a five-digit FIPS code that is unique within State.

### Census Designated Place (CDP)

Census designated places (CDP's) are delineated for the decennial census as the statistical counterparts of incorporated places. CDP's comprise densely settled concentrations of population that are identifiable by name, but are not legally incorporated places. Their boundaries, which usually coincide with visible features or the boundary of an adjacent incorporated place, have no legal status, nor do these places have officials elected to serve traditional municipal functions. CDP boundaries may change with changes in the settlement pattern; a CDP with the same name as in previous censuses does not necessarily have the same boundaries.

Beginning with the 1950 census, the Census Bureau, in cooperation with State agencies and local census statistical areas committees, has identified and delineated boundaries for CDP's. In the 1990 census, the name of each such place is followed by "CDP." In the 1950 census, "(CDP)" was used; in 1970, 1960, and 1980 censuses, these places were identified by "(U)," meaning "unincorporated place."

To qualify as a CDP for the 1990 census, an unincorporated community must have met the following criteria:

1. In all States except Alaska and Hawaii, the Census Bureau uses three population size criteria to designate a CDP. These criteria are:
  - a. 1,000 or more persons if outside the boundaries of an urbanized area (UA) delineated for the 1980 census or a subsequent special census.
  - b. 2,500 or more persons if inside the boundaries of a UA delineated for the 1980 census or a subsequent special census.
  - c. 250 or more persons if outside the boundaries of a UA delineated for the 1980 census or a subsequent special census, and within the official boundaries of an American Indian reservation recognized for the 1990 census.
2. In Alaska, 25 or more persons if outside a UA, and 2,500 or more persons if inside a UA delineated for the 1980 census or a subsequent special census.
3. In Hawaii, 300 or more persons, regardless of whether the community is inside or outside a UA.

For the 1990 census, CDP's qualified on the basis of the population counts prepared for the 1990 Postcensus Local Review Program. Because these counts were subject to change, a few CDP's may have final population counts lower than the minimums shown above.

Hawaii is the only State with no incorporated places recognized by the Bureau of the Census. All places shown for Hawaii in the data products are CDP's. By agreement with the State of Hawaii, the Census Bureau does not show data separately for the city of Honolulu, which is coextensive with Honolulu County.

### Consolidated City

A consolidated government is a unit of local government for which the functions of an incorporated place and its county or minor civil division (MCD) have merged. The legal aspects of this action may result in both the primary incorporated place and the county or MCD continuing to exist as legal entities, even though the county or MCD performs few or no governmental functions and has few or no elected officials. Where this occurs, and where one or more other incorporated places in the county or MCD continue to function as separate governments, even though they have been included in the consolidated government, the primary incorporated place is referred to as a "consolidated city."

The data presentation for consolidated cities varies depending upon the geographic presentation. In hierarchical presentations, consolidated cities are not shown. These presentations include the semi-independent places and the "consolidated city (remainder)." Where the consolidated city is coextensive with a county or county subdivision, the data shown for those areas in hierarchical presentations are equivalent to those for the consolidated government.

For inventory geographic presentations, the consolidated city appears at the end of the listing of places. The data for the consolidated city include places that are part of the consolidated city. The "consolidated city (remainder)" is the portion of the consolidated government minus the semi-independent places, and is shown in alphabetical sequence with other places.

In summary presentations by size of place, the consolidated city is not included. The places semi-independent of consolidated cities are categorized by their size, as is the "consolidated city (remainder)."

Each consolidated city is assigned a one-character alphabetic census code. Each consolidated city also is assigned a five-digit FIPS code that is unique within State. The semi-independent places and the "consolidated city (remainder)" are assigned a four-digit census code and a five-digit FIPS place code that are unique within State. Both the census and FIPS codes are assigned based on alphabetical order within State.

## Incorporated Place

Incorporated places recognized in 1990 census data products are those reported to the Census Bureau as legally in existence on January 1, 1990 under the laws of their respective States as cities, boroughs, towns, and villages, with the following exceptions: the towns in the New England States, New York, and Wisconsin, and the boroughs in New York are recognized as minor civil divisions for census purposes; the boroughs in Alaska are county equivalents.

## POPULATION OR HOUSING UNIT DENSITY

Population or housing unit density is computed by dividing the total population or housing units of a geographic unit (for example, United States, State, county, place) by its land area measured in square kilometers or square miles. Density is expressed as both "persons (or housing units) per square kilometer" and "persons (or housing units) per square mile" of land area in 1990 census printed reports.

## STATE

States are the primary governmental divisions of the United States. The District of Columbia is treated as a statistical equivalent of a State for census purposes. The four census regions, nine census divisions, and their component States are shown under "CENSUS REGION AND CENSUS DIVISION" in this appendix.

The Census Bureau treats the outlying areas as State equivalents for the 1990 census. The outlying areas are American Samoa, Guam, the Northern Mariana Islands, Palau, Puerto Rico, and the Virgin Islands of the United States. Geographic definitions specific to each outlying area are shown in appendix A in the data products for each area.

Each State and equivalent is assigned a two-digit numeric Federal Information Processing Standards (FIPS) code in alphabetical order by State name, followed by the outlying area names. Each State and equivalent area also is assigned a two-digit census code. This code is assigned on the basis of the geographic sequence of each State within each census division; the first digit of the code is the code for the respective division. Puerto Rico, the Virgin Islands, and the outlying areas of the Pacific are assigned "0" as the division code. Each State and equivalent area also is assigned the two-letter FIPS/United States Postal Service (USPS) code.

In 12 selected States (Connecticut, Maine, Massachusetts, Michigan, Minnesota, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, and Wisconsin), the minor civil divisions also serve as general-purpose local governments. The Census Bureau presents data for these minor civil divisions in all data products in which it provides data for places.

## AREA CLASSIFICATIONS

## TIGER

9330

TIGER is an acronym for the new digital (computer-readable) geographic data base that automates the mapping and related geographic activities required to support the Census Bureau's census and survey programs. The Census Bureau developed the Topologically Integrated Geographic Encoding and Referencing (TIGER) System to automate the geographic support processes needed to meet the major geographic needs of the 1990 census: producing the cartographic products to support data collection and map publication, providing the geographic structure for tabulation and publication of the collected data, assigning residential and employer addresses to their geographic location and relating those locations to the Census Bureau's geographic units, and so forth. The content of the TIGER data base is made available to the public through a variety of "TIGER Extract" files that may be obtained from the Data User Services Division, U.S. Bureau of the Census, Washington, DC 20233.

## UNITED STATES

The United States comprises the 50 States and the District of Columbia. In addition, the Census Bureau treats the outlying areas as statistical equivalents of States for the 1990 census. The outlying areas include American Samoa, Guam, the Northern Mariana Islands, Palau, Puerto Rico, and the Virgin Islands.

## URBAN AND RURAL

The Census Bureau defines "urban" for the 1990 census as comprising all territory, population, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in:

1. Places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the six New England States, New York, and Wisconsin), but excluding the rural portions of "extended cities."
2. Census designated places of 2,500 or more persons.
3. Other territory, incorporated or unincorporated, included in urbanized areas.

Territory, population, and housing units not classified as urban constitute "rural." In the 100-percent data products, "rural" is divided into "places of less than 2,500" and "not in places." The "not in places" category comprises "rural" outside incorporated and census designated places and the rural portions of extended

cities. In many data products, the term "other rural" is used; "other rural" is a residual category specific to the classification of the rural in each data product.

In the sample data products, rural population and housing units are subdivided into "rural farm" and "rural nonfarm." "Rural farm" comprises all rural households and housing units on farms (places from which \$1,000 or more of agricultural products were sold in 1989); "rural nonfarm" comprises the remaining rural.

The urban and rural classification cuts across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and nonmetropolitan areas.

In censuses prior to 1950, "urban" comprised all territory, persons, and housing units in incorporated places of 2,500 or more persons, and in areas (usually minor civil divisions) classified as urban under special rules relating to population size and density. The definition of urban that restricted itself to incorporated places having 2,500 or more persons excluded many large, densely settled areas merely because they were not incorporated. Prior to the 1950 census, the Census Bureau attempted to avoid some of the more obvious omissions by classifying selected areas as "urban under special rules." Even with these rules, however, many large, closely built-up areas were excluded from the urban category.

To improve its measure of urban territory, population, and housing units, the Census Bureau adopted the concept of the urbanized area and delineated boundaries for unincorporated places (now, census designated places) for the 1950 census. Urban was defined as territory, persons, and housing units in urbanized areas and, outside urbanized areas, in all places, incorporated or unincorporated, that had 2,500 or more persons. With the following three exceptions, the 1950 census definition of urban has continued substantially unchanged. First, in the 1960 census (but not in the 1970, 1980, or 1990 censuses), certain towns in the New England States, townships in New Jersey and Pennsylvania, and Arlington County, Virginia, were designated as urban. However, most of these "special rule" areas would have been classified as urban anyway because they were included in an urbanized area or in an unincorporated place of 2,500 or more persons. Second, "extended cities" were identified for the 1970, 1980, and 1990 censuses. Extended cities primarily affect the figures for urban and rural territory (area), but have very little effect on the urban and rural population and housing units at the national and State levels—

though for some individual counties and urbanized areas, the effects have been more evident. Third, changes since the 1970 census in the criteria for defining urbanized areas have permitted these areas to be defined around smaller centers.

Documentation of the urbanized area and extended city criteria is available from the Chief, Geography Division, U.S. Bureau of the Census, Washington, DC 20233.

## Extended City

Since the 1960 census, there has been a trend in some States toward the extension of city boundaries to include territory that is essentially rural in character. The classification of all the population and living quarters of such places as urban would include in the urban designation territory, persons, and housing units whose environment is primarily rural. For the 1970, 1980, and 1990 censuses, the Census Bureau identified as rural such territory and its population and housing units for each extended city whose closely settled area was located in an urbanized area. For the 1990 census, this classification also has been applied to certain places outside urbanized areas.

In summary presentations by size of place, the urban portion of an extended city is classified by the population of the entire place; the rural portion is included in "other rural."

## URBANIZED AREA (UA)

The Census Bureau delineates urbanized areas (UA's) to provide a better separation of urban and rural territory, population, and housing in the vicinity of large places. A UA comprises one or more places ("central place") and the adjacent densely settled surrounding territory ("urban fringe") that together have a minimum of 50,000 persons. The urban fringe generally consists of contiguous territory having a density of least 1,000 persons per square mile. The urban fringe also includes outlying territory of such density if it was connected to the core of the contiguous area by road and is within 1 1/2 road miles of that core, or within 5 road miles of the core but separated by water or other undevelopable territory. Other territory with a population density of fewer than 1,000 people per square mile is included in the urban fringe if it eliminates an enclave or closes an indentation in the boundary of the urbanized area. The population density is determined by (1) outside of a place, one or more contiguous census blocks with a population density of at least 1,000 persons per square mile or (2) inclusion of a place containing census blocks that have at least 50 percent of the population of the place and a density of at least 1,000 persons per square mile. The complete criteria are available from the Chief, Geography Division, U.S. Bureau of the Census, Washington, DC 20233.

## Urbanized Area Central Place

One or more central places function as the dominant centers of each UA. The identification of a UA central place permits the comparison of this dominant center

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES  
OF THE OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9332

OCA/USPS-T32-7. Does the Postal Service have an estimate of the number of households that are aware of the difference between the First-Class stamp rate and the single-piece card rate and maintain sets of stamps to apply postage for both rates?

- a. If so, please provide the estimate and all associated source documents.
- b. If not, please explain why no estimate is available.

RESPONSE:

(a) No.

(b) The Postal Service has not had a need for such an estimate.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES  
OF THE OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

OCA/USPS-T32-8. Please describe all educational efforts undertaken by the Postal Service within the last three years to educate households about differences among and qualifications for:

- a. The First-Class rate.
- b. The additional ounce rate.
- c. The nonstandard surcharge.
- d. The single-piece card rate.

RESPONSE:

(a)-(d) The Ratefold (Notice 123) includes all of the above. The *Consumer's Guide to Postal Services and Products* (Publication 201) includes an explanation for First-Class Mail and the nonstandard surcharge. The *Consumer's Guide to Postal Rates and Fees* (Publication 123) includes all of the above. Poster 123 S, a smaller retail lobby wall poster, and Poster 123 L, a large retail lobby wall poster, include all of the above. Notice 3A, which is a letter-size dimensional standards template, shows minimum/maximum sizes for both letter and post card pieces, with an explanation of the surcharge. These items are available in post office lobbies, as well as mailed out by the Consumer Affairs Office and the Call Center by customer request. Also, some local post offices deliver rate increase notices to businesses and households right before implementation of new rates. In addition, training classes completed by postal personnel (Standard Mail Classification Course and Window Clerk Training; see materials produced in response to OCA/USPS-T32-10) enable personnel to educate household customers on a daily basis through over-the-counter retail transactions and by telephone contact.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES  
OF THE OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

OCA/USPS-T32-9. Please describe all educational efforts undertaken by the Postal Service within the last three years to educate Postal Service personnel about differences among and qualifications for:

- a. The First-Class rate.
- b. The additional ounce rate.
- c. The nonstandard surcharge.
- d. The single-piece card rate.

RESPONSE:

(a)-(d) All of the publications and materials described in the response to OCA/USPS-T32-8 are also applicable here. In addition, the Domestic Mail Manual Sections E100 and R100 discuss all of the above. The January 1, 1995 *Postal Bulletin* discussed new rates for all of the above.

In terms of training, Standard Mail Classification Course 31545-0 provides mandatory training for all Revenue Protection clerks, Business Mail Entry clerks, and Mailing Requirements clerks. Standard Training Program for Window Clerks (Course 42520-00) provides mandatory training for all window clerks. These courses include all of the above. For materials associated with these courses, please see response to OCA/USPS-T32-10.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES  
OF THE OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9335

OCA/USPS-T32-10. Please submit all documents relating to the questions asked in USPS-T32-8 and USPS-T32-9.

RESPONSE: The requested documents are being filed as Library Reference H-243.



RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES  
OF THE OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9336

OCA/USPS-T32-11. Please describe all situations not mentioned above where a household may enter mail into the mailstream in which there is no intervention by Postal Service personnel prior to entry of the mail, or purchase of the product or service.

RESPONSE: The situations are as follows: (1) Single-piece First-Class Mail, which would include nonstandard pieces and metered mail to the extent households have meters or household mailers have access to meters, and; (2) Priority Mail, Express Mail, and Parcel Post, to the extent the customer is able to independently determine the weight and postage of the piece and to the extent the piece does not need to be presented to a postal clerk due to the piece's size or weight.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES  
OF THE OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

OCA/USPS-T32-12. Please describe all evidence that exists showing that households underpay or overpay postage for First-Class mail.

- a. Submit all documents that relate to this question.
- b. Describe the Postal Service's enforcement and auditing procedures for ensuring payment of correct First-Class mail postage.

RESPONSE:

- (a) None.
- (b) Please see responses to OCA/USPS-25 and 27.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES  
OF THE OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9338

OCA/USPS-T32-13. Please describe all evidence that exists showing that households underpay or overpay postage for the additional ounce rate for First-Class mail. Please especially describe all evidence on the incidence of households affixing an additional 32 cent stamp to pay the additional ounce rate.

- a. Submit all documents that relate to this question.
- b. Describe the Postal Service's enforcement and auditing procedures seeking to ensure payment of correct First-Class mail postage.

RESPONSE:

(a) None.

(b) Please see responses to OCA/USPS-25 and 27.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES  
OF THE OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9339

OCA/USPS-T32-14. Please describe all evidence that exists showing that households underpay or overpay postage for single-piece cards. Please especially describe all evidence on the incidence of households affixing a 32 cent stamp to pay for single-piece card mailings.

- a. Submit all documents that relate to this question.
- b. Describe the Postal Service's enforcement and auditing procedures seeking to ensure payment of correct First-Class mail postage.

RESPONSE:

(a) None.

(b) Please see responses to OCA/USPS-25 and 27.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES  
OF THE OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9340

OCA/USPS-T32-15. Please describe all evidence that exists showing that households underpay or overpay postage for the nonstandard surcharge for First-Class mail.

- a. Submit all documents that relate to this question.
- b. Describe the Postal Service's enforcement and auditing procedures seeking to ensure payment of correct First-Class mail postage.

RESPONSE:

(a) None.

(b) Please see responses to OCA/USPS-25 and 27.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES  
OF THE OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9341

OCA/USPS-T32-16. Please separately quantify revenues lost and revenues gained by any of the underpayments or overpayments queried about in USPS-T32-12 through 15 during the most recent fiscal year for which such data is available. If no information is available, please explain why not.

RESPONSE: None. The Postal Service has not had a need for such data for households.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES  
OF THE OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9342

OCA/USPS-T32-17. Does the Postal Service have or know of an estimate of the average level of education held by the those households that maintain separate sets of First-Class stamps for the first ounce rate, on the one hand, and, on the other, the additional ounce rate, the single-piece card rate, and the nonstandard surcharge rate?

- a. If so, please provide the estimate and all associated source documents.
- b. If not, please explain why no estimate is available.

RESPONSE:

(a) No.

(b) The Postal Service has not had a need for such data.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES  
OF THE OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9343

OCA/USPS-T32-18. Your testimony at 6 states: "In comparison to other alternatives, Prepaid Reply Mail has the advantage of avoiding administrative and enforcement problems associated with what would happen if the general public were expected to use differently-rated stamps for its First-Class Mail correspondence and transactions." A footnote refers to the Decision of the Governors of the United States Postal Service on the Recommended Decisions of the Postal Rate Commission on Courtesy Envelope Mail and Bulk Parcel Post, Docket No. MC95-1 at 4 (March 4, 1996) (hereinafter, "CEM Decision"). Please confirm that the Postal Service adheres entirely to the reasoning expressed in the CEM decision. If not confirmed, please explain.

RESPONSE: The decision of the Governors in response to the CEM proposal sponsored by the OCA in Docket No. MC95-1 alludes to the administrative and enforcement issues which were identified by postal witnesses whose testimony rebutted the OCA proposal in that case. The Postal Service's adherence to the position that it would be better to avoid creation of administrative and enforcement issues such as those that were identified by its Docket No. MC95-1 rebuttal witnesses is reflected in its proposal of Prepaid Reply Mail in the present case, which completely avoids the "two-stamp" problems associated with the Docket No. MC95-1 CEM proposal.



RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES  
OF THE OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9344

OCA/USPS-T32-20. What is the Postal Service's estimate of the volume of households that will re-address and re-route a pre-addressed Prepaid Reply Mail envelope?

- a. If an estimate is provided, please show the derivation and provide copies of all source documents used.
- b. If no estimate is available, please explain why one has not been prepared, and upon what empirical basis you support your assertions.

RESPONSE: No such estimate is available.

(a) Not applicable.

(b) *The Postal Service has not had a need to prepare such an estimate. It is unclear what assertions are being referred to in this question.*

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES  
OF THE OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9345

OCA/USPS-T32-21. Please see attachment 1, which is a copy of a pre-paid Postal Service envelope mailed by the Postal Service to postal patrons for use in purchasing postage stamps. What volume of the pre-paid pre-addressed envelopes have been inappropriately entered into the Postal Service's mailstream by patrons who have altered the pre-printed address and used the envelope for purposes other than its original intent?

- a. If an estimate is provided, please provide the derivation of all calculated numbers, cite all sources and provide copies of source documents not previously filed in response to OCA/USPS-T32-20.
- b. If no volumes are available, please explain why the Postal Service has not collected this information.

RESPONSE: The Postal Service has no such data for this mail piece.

(a) Not applicable.

(b) The Postal Service has not had a need to collect these data.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES  
OF THE OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9346

OCA/USPS-T32-27. Does the Postal Service have any knowledge of the extent to which the greeting card industry places notices on its product (e.g., in the place on the envelope where postage would be affixed) that a particular card requires additional postage because of the weight or size of the card? If so, please describe.

RESPONSE: No. The Postal Service is aware of these notices, but does not know the extent to which they are used.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES  
OF THE OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9347

OCA/USPS-T32-28. Does the Postal Service have any knowledge of the extent to which the private-sector post card industry (e.g., manufacturers of travel post cards) places notices on its product (e.g., in the place on the envelope where postage would be affixed) that a particular card requires additional postage because of the weight or size of the card? If so, please describe.

- a. What percentage of such labeled cards and envelopes is underpaid?
- b. What percentage of such labeled cards and envelopes is overpaid?

RESPONSE: No. The Postal Service is aware of such notices, but does not know the extent to which they are used by manufacturers.

(a)-(b) Not applicable.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES  
OF THE OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9348

OCA/USPS-T32-29. Does the Postal Service have any knowledge of the extent to which publicly available software programs exist to prepare barcodes and FIMS that would be appropriate for use by PRM and QBRM participants?

Please describe.

- a. If so, what is the cost of such programs for public users?
- b. Are they compatible with personal computers of the type that small businesses commonly use?
- c. Are they effective in preparing qualified automation compatible mail?

RESPONSE: For purposes of the PRM and QBRM proposals, the Postal Service does not know.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES  
OF THE OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9349

OCA/USPS-T32-30. Of the total amount of mail sent to households that contains courtesy reply envelopes, what percentage of the courtesy reply envelopes is automation compatible? Please show the sources for and derivations of your computation.

RESPONSE: The answer to this question is unknown. Also, see response to OCA/USPS-T32-51.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES  
OF THE OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9350

OCA/USPS-T32-32. This interrogatory relates to efforts the Postal Service has made to enable mailers to make their mailings automation compatible.

- a. To what extent does the Postal Service supply software or technical assistance to mailers wishing to make their mail automation compatible? Please explain.
- b. Has the Postal Service considered the possibility of offering access on its website to software programs that would help businesses and households prepare envelopes for automation capability? If so, please explain. If not, why not?

RESPONSE:

(a) The Postal Service provides a significant amount of technical assistance to mailers wishing to make their mail automation compatible. The Postal Service has a team of approximately 179 Mailpiece Design Analysts (MDAs) located around the country in postal business centers, business mail entry offices, and postal processing plants. These MDAs are tasked to assist mailers to comply with automation mailing standards. The MDAs, along with account representatives and customer service representatives, conduct mailer's training seminars at postal and customer facilities. Also, the Postal Service provides many publications designed to help mailers understand how to prepare automation compatible mail, including Publication 25 (Designing Business Letter Mail), Publication 28 (Postal Addressing Standards), Publication 63 (Designing Flat Mail), and Publication 353 (Designing Reply Mail).

In addition to being available in an electronic format on the USPS web site, these publications are available in Postal Explorer, a CD-ROM disk provided to customers free of charge. The CD also contains the Domestic Mail Manual and the International Mail Manual.

The Postal Service provides technical consultation at public forums including National Postal Forums, Postal Customer Councils (PCCs), and through our Postal Business Centers. Postal Business Centers also provide letter and flat mail templates that identify correct positioning for designing and

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES  
OF THE OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9351

RESPONSE to OCA/USPS-T32-32 (continued)

formatting mailpieces. These plastic templates and gauges are provided to mailers free of charge and USPS employees show customers how to use them to identify correct and incorrect address placement and design features for a variety of mailpiece sizes.

There are also software programs called Mail Flow Planning Guide and the Rate Calculator which allow customers to input information about their mailpieces and calculate the postage owed for the mailing. A mailer is able to determine what percentage of their mail to send at various rates to meet their mailing budget and service needs.

The National Customer Service Center in Memphis also maintains a list of USPS approved software products that can assist mailers in preparing their mailings. It lists costs and special features for each product. We also publish a Business Partners Handbook, by postal area, to inform customers about vendors and suppliers in their local service area that provide software and mail preparation services to assist mailers in preparing correct mailings.

The Postal Service also provides customer support services related to addressing, including mailing list services, address sequencing services, Address Information System services, and services related to meeting the Coding Accuracy Support System (CASS) requirements for maintaining up-to-date and accurate addresses for automation-compatible mail (see section A900 of the DMM). Bulk mailers often pay private vendors for address management certification services. Note that it probably is not cost-effective for the typical household mailer to pay for the address management services needed to meet Postal Service accuracy and update requirements to qualify for automation-compatible rates.



RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES  
OF THE OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9352

RESPONSE to OCA/USPS-T32-32 (Continued)

(b) See part (a) above for a discussion of publications available on the USPS website. The Postal Service has considered the possibility of offering software programs via the World Wide Web to help the public prepare its mail. Presently, the Postal Service provides a critical service in support of this effort via our website through our ZIP Code lookup program. This program allows the public to enter address information and obtain corrected street information, city-state information, ZIP Codes, ZIP+4 Codes, and delivery point information. This *service facilitates public preparation of envelopes with complete and correct address information.*

The Postal Service has not elected to offer other functions via our website such as envelope design, Facing Identification Mark (FIM) printing, address printing, and POSTNET barcode printing. Our reason for not performing these functions is related to the technical issues involved with supporting these activities for the many different computer systems and printers that exist.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES  
OF THE OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9353

OCA/USPS-T32-36. Please refer again to the above-cited portion of the CEM Decision.

- a. Does the Postal Service think that the American *household* public is not honest enough to be trusted with an active role in a modified PRM system such as MPRM (e.g., deliberately using 30 cent stamps on non-barcoded mail)?
- b. If the answer to (a) is affirmative, to what proportion of the American household public would this apply?
- c. Cite empirical evidence for any affirmative response to (a) or (b).
- d. Describe all the methods by which an unscrupulous person may alter the mail piece or perform other practices to underpay First-Class postage that would be relevant to the Postal Service's concerns here.
- e. Does the Postal Service have the legal authority to seek to prosecute persons who alter mail pieces in order to underpay postage? Please describe.
- f. If the answer to (e) is affirmative, does the Postal Service ever seek to prosecute such persons? Please explain.

RESPONSE:

(a)-(c) Answered by witness Fronk.

(d) The Postal Service has conducted no analysis of CEM since the conclusion of Docket No. MC95-1. However, the more obvious general methods of underpayment of First-Class Mail postage on stamped/metered letters include affixing either no postage, insufficient postage, foreign postage, or forged or facsimile "postage stamps" to domestic mail pieces. They can also include applying insufficient postage via postage meter or applying a wash of meter ink phosphor solution to lower-denomination stamps to avoid facer-canceler kick-out. The Postal Service does not claim to be aware of all methods by which the unscrupulous among us may be underpaying postage on stamped and metered First-Class Mail.

(e)-(f) It is not sure what methods of mail piece alteration are being asked about. Ultimately, the decision to pursue criminal prosecution for short payment of postage would turn on such issues as the amount of underpayment involved, the

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES  
OF THE OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9354

RESPONSE to OCA/USPS-T32-36 (continued)

ability to identify the perpetrator, the sufficiency of evidence of willful or intentional conduct, the feasibility of alternative administrative or civil remedies, and the availability of prosecutorial resources.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES  
OF THE OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9355

OCA/USPS-T32-38. Please describe fully how, under the current state of automation in letter processing, processing equipment detects that First-Class mail does not bear sufficient postage.

- a. Are stamps encoded to signify their postage to automation equipment used by the Postal Service? Explain.
- b. Will the Postal Service implement any new procedures in mail processing if their PRM and QBRM proposals are adopted? Explain.
- c. Witness Potter in Docket No. MC95-1 stated in his rebuttal testimony that "the automated facer/canceler equipment is designed to identify mail that has little or no postage, but cannot necessarily identify the precise level of postage applied." Rebuttal Testimony at 13, n.8, Tr.16220. Is this statement still true? Please discuss.

RESPONSE:

(a) No. Stamps only contain an invisible phosphorescence coating. The coating is used by canceling equipment to detect if postage has been applied to the mailpiece.

(b) No. There are no new procedures anticipated in mail processing if the PRM and QBRM proposals are adopted.

(c) Yes. The Automated Facer Canceler System (AFCS) looks for the phosphorescence coating on a stamp to determine if there is postage on a mailpiece, but the AFCS is unable to identify if the precise level of postage is applied. The AFCS is able to identify that the mail has little or no postage applied because low denomination stamps do not have the phosphorescence coating.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES  
OF THE OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9356

OCA/USPS-T32-39. Please discuss how, under the current state of automation in letter processing, the Postal Service delivers mail with underpayment of postage, and how it collects postage due. Please compare how the Postal Service handles short-paid First-Class mail versus non-paid First-Class Mail.

RESPONSE: Procedures and guidelines for handling mail that does not bear the proper postage are covered in section P011 of DMM 52. In brief, short-paid First-Class Mail is marked to show the total deficiency in postage and is delivered to the addressee on payment of the charges marked on the mail. In contrast, non-paid First-Class Mail is endorsed "Returned for Postage" and is returned to the sender without an attempt at delivery.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES  
OF THE OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9357

OCA/USPS-T32-40. Referring to the previous interrogatory, does the Postal Service maintain any policies whereby it decides to forego collection of underpayment or nonpayment of postage? If so, please describe.

RESPONSE: The Postal Service does not maintain such policies.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES  
OF THE OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9358

OCA/USPS-T32-43. Is it the Postal Service's position that the estimates and projections in the Alexandrovich and Potter rebuttal testimony in Docket No. MC95-1 are still correct? Please address specifically all quantitative estimates and projections from that testimony, and provide updates where necessary.

RESPONSE: The Postal Service is unaware of any basis for disagreeing with witness Alexandrovich's and witness Potter's Docket No. MC95-1 testimony.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES  
OF THE OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

OCA/USPS-T32-45. Please refer to the rebuttal testimony of witness Alexandrovich in Docket No. MC95-1, at 17-18, Tr. 16310-11 where he addresses the costs of dealing with short-paid mail.

- a. What are the current costs?
- b. Does the Postal Service assess any extra charges to a recipient of postage due mail other than the underpayment? If so, specify the extra charges. If not, why not?
- c. Does the Postal Service assess any extra charges to the sender of postage due mail when it has been returned to the sender? If so, specify the extra charges. If not, why not?

RESPONSE:

- (a) These cost data have not been updated.
- (b)-(c) Yes. The Postal Service also collects fees for special services when appropriate. See DMM Section P011, especially subsections P011.1.3 (Unpaid Metered Reply Mail), P011.1.5 (Shortpaid Mail—Basic Standards), and P011.1.7 (Shortpaid Registered Mail). Also, please see response to OCA/USPS-T32-39.



RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES  
OF THE OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9360

OCA/USPS-T32-46. Please refer to the rebuttal testimony of witness Alexandrovich in Docket No. MC95-1, at 20, Tr. 16313, where he addresses the costs of purchasing CEM stamps at the post office. He concludes that introducing a CEM stamp would result in increased transaction costs for consumers and increased window costs for the Postal Service.

- a. State your agreement or disagreement with his analysis and conclusions as to increased transaction costs for consumers and increased window costs for the Postal Service.
- b. What would be the incremental window cost to the Postal Service of selling a 30-cent CEM stamp to household consumers at retail postal facilities? Consider in your analysis any increased costs that would be incurred based on the possibility that non-postal retail stores (i.e., so-called consignment outlets) would not choose to carry a 30 cent stamp.
  - (i) In referring to Library Reference H-1, Summary Description of USPS Development of Costs by Segments and Components, Fiscal Year 1996, it appears there are two relevant activity codes: 5040, "At Window Serving a Customer - Selling Stamps," and 6040, "Window-Related Activity - Selling Stamps." Please confirm. If not confirmed, please explain.
  - (ii) Confirm that there is no breakdown for selling different types and denominations of stamps (except for migratory bird stamps). If not confirmed, please explain.
- c. What is the incremental window cost to the Postal Service of selling a new issue of (the current) 32-cent First-Class stamp, e.g., the Bugs Bunny stamp?
- d. How much money does the Postal Service estimate it saves (e.g., avoiding window costs) annually because consignment outlets sell postage stamps? Please explain the derivation of your estimate.
  - (i) Do consignment outlets determine what types of stamps they will carry?
  - (ii) Does the Postal Service place any limitations on the types of stamps consignment outlets may carry?
- e. MPRM arguably would be used by consumers who bought their stamps at either postal facilities or at retail consignment outlets. Would consignment outlets be likely to sell two or more differently priced stamps? In your answer, refer to the percentage of outgoing household mail that would be a candidate for such stamps, e.g., mail used to pay utility and credit card and other bills.
- f. The FY1995 Household Diary Study shows at Table 4-10 that in 1995 households received, on average, 2.91 pieces of "bill/invoice/premium" mail per week, up from 2.52 per week in 1987. The same table shows that households in 1995 received, on average, 1.30 pieces of personal

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES  
OF THE OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9361

mail per week, down from 1.56 in 1987. Do you agree that there is a trend toward a greater proportion of mail received and sent by households that is business related in nature as opposed to personal in nature? If not, please explain.

- g. Please estimate the proportion of the 2.91 pieces per week of business mail that contain courtesy reply envelopes, and separately, business reply envelopes.
- h. What percentage of mail sent by households to non-households is currently in a courtesy reply envelope?
- i. Assume that an MPRM 30 cent rate and a 33-cent regular First-Class rate is approved. Could the Postal Service solve the alleged "two-stamp" problem by issuing stamp booklets with both denominations, e.g., ten 30-cent stamps and ten 33-cent stamps?
- j. Does the Postal Service sell other stamp denominations in booklet form (e.g., post cards)? Please describe.

RESPONSE:

- (a) The Postal Service is unaware of any basis for disagreeing with witness Alexandrovich's Docket No. MC95-1 testimony.
- (b) The Postal Service has not studied the incremental cost of selling a 30-cent CEM stamp to household consumers as it was not a part of its rate proposal.
  - (i) Confirmed.
  - (ii) Confirmed.
- (c) The Postal Service has not measured this cost.
- (d) An estimate of annual savings is not available. The number of consignment transactions is unknown.
  - (i)-(ii) Consignment outlets may carry any combination of 32-cent, Express Mail, or Priority Mail stamps. Less than 10 percent of consignees offer Express Mail or Priority Mail stamps, with the great majority only offering the 32-cent stamp. Consignees are also able to choose among several options on the design of the stamps.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES  
OF THE OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9362

RESPONSE to OCA/USPS-T32-46 (Continued)

(e) See response to part (d) above. The Postal Service is unable to comment on the use of MPRM due to lack of information about the proposal.

(f) The proportion of "bill/invoice/premium" vs. personal mail received by households has changed since 1987, but very little since 1992. In fact, any differences in that proportion between 1992 and 1995 would be within sampling error. Household Diary Study Table 4-10 from 1992 to 1995, shows the following:

Pieces Per Week	1987	1992	1993	1994	1995
Total Personal Mail	1.56	1.36	1.35	1.29	1.30
Bills/invoices/premiums	2.52	2.98	2.84	2.86	2.91

The balance of the mail in all categories has changed considerably in the last ten years, but the proportion of personal to bill payment mail has remained remarkably consistent over the last four years.

(g) The Household Diary Study asks if "a mailing envelope/card was provided" but there is no distinction between courtesy reply envelopes and business reply envelopes. In FY 1995, 50.8% of the mail sent by households was sent in an envelope provided by an industry (see attached table 193). Of the 2.91 pieces per week you cited from Table 4-10 that were received by households, Table 4-48 shows that households responded to 2.42. Table 193 shows that an average of 3.22 pieces per week were sent by households in FY 1995 and 50.8% (1.64 pieces) were sent in a courtesy or business reply envelope. Dividing the 1.64 pieces that were sent in an envelope provided by the industry, by the total of 2.42 pieces of business mail sent by households, the proportion that contained courtesy reply or business reply envelopes in FY 1995 is 67.8%.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES  
OF THE OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9363

RESPONSE to OCA/USPS-T32-46 (Continued)

(h) As the statistics presented in response to "g" above show, 67.8% of mail sent by households to nonhouseholds is currently in a courtesy or business reply envelope.

(i) The Postal Service has not investigated this issue as it is not presently faced with a proposal which revives the "two-stamp" issue.

(j) Yes. Presently there are booklets for 55-cent LOVE stamps intended for two-ounce First-Class pieces and 20-cent BLUE JAY stamps for postal cards.

TABLE 193  
FIRST-CLASS MAIL SENT  
O. 8 - WAS THE ENVELOPE/CARD PROVIDED  
(BASED TO FIRST-CLASS MAIL ONLY)  
(BASED TO NON-HOLIDAY MAIL ONLY)

U.S.P.S. HOUSEHOLD DIARY STUDY - DIARY - FISCAL YEAR 1995 (SEPT. 19, 1994 - SEPT. 17, 1995)

[illegible]

WEIGHTED NUMBERS ARE REPORTED IN HUNDRED THOUSANDS

TABLE 193  
FIRST-CLASS MAIL SENT  
0.8 - WAS THE ENVELOPE/CARD PROVIDED  
(BASED TO FIRST-CLASS MAIL ONLY)  
(BASED TO NON-HOLIDAY MAIL ONLY)

## FIRST-CLASS MAIL SENT - INDUSTRY

*****											
	TOTAL DEPT.	MAIL OTHER	PUBLI	PROMO	TAU	RANT	FAC	DEAL	VICE	STN.	*****
UNWEIGHTED HOUSEHOLDS	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300
UNWEIGHTED PIECES	11043	2011	438	494	216	706	4	1	74	5	6
WEIGHTED HOUSEHOLDS	983	983	983	983	983	983	983	983	983	983	983
WEIGHTED PIECES (BASE)	3164	568	122	138	65	200	1	0.	16	1	1
I PROVIDED MY OWN MAILING CARD	632	134	26	35	26	29	0.	0.	10	0.	1
	20.0	23.7	21.7	25.6	40.1	14.4	26.5	100.0	62.7	13.4	53.4
	100.0	21.3	4.2	5.6	4.1	4.5	0.1		1.6		0.1
	20.0	4.2	0.8	1.1	0.8	0.9			0.3		
A MAILING ENVELOPE/CARD WAS PROVIDED	1608	411	92	99	37	165	1	-	5	1	1
	50.8	72.4	75.0	71.7	56.2	82.7	73.5		29.6	86.6	38.3
	100.0	25.5	5.7	6.2	2.3	10.3	0.1		0.3	0.1	
DON'T KNOW/NO ANSWER	142	23	4	4	2	6	-	-	1	-	0.
	4.5	4.0	3.3	2.8	3.7	2.9			7.7	8.2	0.1
	100.0	15.9	2.9	2.7	1.7	4.1			0.9		
NOT INDUSTRY MAIL	782	-	-	-	-	-	-	-	-	-	-
	24.7	-	-	-	-	-	-	-	-	-	-
	100.0	-	-	-	-	-	-	-	-	-	-
MEAN	3.22	0.58	0.12	0.13	0.06	0.21	-	-	0.01	-	-
STD DEV	6.26	1.47	0.55	0.64	0.40	0.79	0.04	0.01	0.18	0.04	0.04
STD ERROR	0.09	0.01	0.01	0.01	-	0.01	-	-	-	-	-

CHILTON RESEARCH SERVICES NO. 5344 JUNE 1996 WEIGHTED NUMBERS ARE REPORTED IN HUNDRED THOUSANDS

## U.S.P.S. HOUSEHOLD DIARY STUDY - DIARY - FISCAL YEAR 1995 (SEPT. 19, 1994 - SEPT. 17, 1995)

TABLE 193  
FIRST-CLASS MAIL SENT  
O. 8 - WAS THE ENVELOPE/CARD PROVIDED  
(BASED TO FIRST-CLASS MAIL ONLY)  
(BASED TO NON-HOLIDAY MAIL ONLY)

		FIRST-CLASS MAIL SENT - INDUSTRY												
		TOTAL	DEPT.	MER	STORE	DISC.	ORDER	OTHER	PUBLI	LAND	RES	MANU	AUTO	SER
		CHANT	DISC.	ORDER	STORE	SHER	TION	RANT	TURER	ER	STN.			
SIGMA		3164	568	122	138	65	200	1	0.	16	1	1	1	1
EACH CELL CONTAINS:		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
COUNT														
VERTICAL PERCENT														
HORIZONTAL PERCENT														
CELL PERCENT														



RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES  
OF THE OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9368

OCA/USPS-T32-47. As noted, witness Alexandrovich complained about increased window costs for the Postal Service if it were to sell CEM stamps.

- a. How many different denominations of stamps does the Postal Service sell?
- b. Currently, what percentage of total stamps sold are not 32-cent First-Class letter stamps?
- c. How many kinds of 32-cent First-Class Letter stamps does the Postal Service sell?
- d. Confirm that the Postal Service promotes the sale of different kinds of 32-cent First-Class letter stamps by informing the public of their availability through such means as displaying them at retail postal facilities. If not confirmed, please explain.
- e. When considering whether or not to release a new version of a 32-cent First-Class stamp, does the Postal Service analyze the incremental window costs of introducing an additional stamp set? If so, describe how the analysis is done and quantify such costs for some recent issues. If not, why not?

RESPONSE:

- (a) Table 1 below counts the thirty USPS stamp denominations.

Table 1. USPS Stamps, Fall 1997			
Denomination	Count	Denomination	Count
1 Cents	1	32 Cents	16
2 Cents	2	35 Cents	17
3 Cents	3	45 Cents	18
4 Cents	4	46 Cents	19
5 Cents	5	50 Cents	20
10 Cents	6	52 Cents	21
14 Cents	7	55 Cents	22
15 Cents	8	60 Cents	23
19 Cents	9	65 Cents	24
20 Cents	10	78 Cents	25
23 Cents	11	1 Dollar	26
25 Cents	12	2 Dollars	27
28 Cents	13	3 Dollars	28
29 Cents	14	5 Dollars	29
30 Cents	15	10.75 Dollars	30

Source: USA Philatelic, Fall 1997 Vol 2, No.3

- (b) An accounting of stamps sold, by denomination, is not maintained. However, of stamps shipped during Fiscal Year 1996, approximately one-third were not 32-cent stamps.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES  
OF THE OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9369

RESPONSE to OCA/USPS-T32-47 (continued)

(c) The number of different kinds of 32-cent First-Class stamps the Postal Service sells differs each year. The Customer Stamp Advisory Committee (CSAC) determines the stamp program and subjects in each year's program with final approval from the Postmaster General. Table 2 lists the 32-cent stamp issues and designs available for Fall 1997.

USPS 32 Cents Stamps, Fall 1997					
Issue	Count	Designs	Issue	Count	Designs
Legenday Football Coaches	1	4	James K. Polk	38	1
Classic American Aircraft	2	20	Comic Strip Classics	39	20
Humphrey Bogart	3	1	Civil War	40	20
Marshall Plan	4	1	POW & MIA	41	1
Bugs Bunny	5	1	Flag Over Porch	42	1
Dinosaurs	6	15	Cal Farley	43	1
Raoul Wallenberg	7	1	Milton Hershey	44	1
Thornton Wilder	8	1	Love Cherub	45	1
Pacific 97 (Triangle)	9	2	Non-Denominated Love (32cents)	46	1
Merian Botanical	10	2	Madonna & Child	47	1
Helping Children Learn	11	1	Hanukkah	48	1
Love Swans	12	1	Skaters	49	1
Statue Of Liberty	13	1	Family Scenes	50	4
Benjamin O. Davis	14	1	Holiday Madonna & Child	51	1
Lunar Year	15	1	Holiday Children & Santa	52	4
Computer Technology	16	1	"G" Official Mail Stamp	53	1
Endangered Species	17	15	Flag Over Porch (linerless) Self-Adhesive	54	1
F. Scott Fitzgerald	18	1	Flag Over Porch Self-Adhesive	55	1
Big Band Leaders	19	4	Midnight Angel	56	1
Song Writers	20	4	Holiday Children & Santa Self-Adhesive	57	4
Riverboats	21	5	Peaches And Pears	58	2
Rural Free Delivery	22	1	Pink Rose	59	1
Iowa Statehood	23	1	Ferryboat	60	1
Olympic Games	24	1	Yellow Rose Booklet	61	1
Folk Heroes	25	4	Flag Over Porch Booklet	62	1
James Dean	26	1	Love Cherub Booklet	63	1
Breast Cancer Awareness	27	1	Midnight Angel Booklet	64	1
Prehistoric Animals	28	4	Holiday Sledding ATM Booklet	65	1
American Indian Dances	29	5	Holiday Children And Santa Booklet	66	4
Tennessee Statehood	30	1	Peaches And Pears Booklet	67	2
Georgia O'Keeffe	31	1	Pink Rose Booklet	68	1
Olympic Classic Collection	32	20	Flag Over Field ATM	69	1
Fulbright Scholarships	33	1	Winter Garden Flowers	70	5
Pioneers Of Communication	34	4	Holiday Madonna & Child Booklet	71	1
Smithsonian	35	1	Fall Garden Flowers	72	5
Ernest E. Just	36	1	Great Lakes Lighthouses	73	5
Utah Statehood	37	1	World War II - 1945	74	10
			Total	NA	241

Source: USA Philatelic, Fall 1997 Vol 2, No.3

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES  
OF THE OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9370

RESPONSE to OCA/USPS-T32-47 (continued)

(d) Yes, the USPS stamp promotion programs routinely displays 32 cent First-Class stamps in retail areas, for example, shrink-wrap packages in postal lobbies.

(e) No.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES  
OF THE OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9371

OCA/USPS-T32-50. Please describe the educational efforts the Postal Service plans in the event a 33-cent First-Class postage rate is approved, and in the event PRM and QBRM are approved. Separately list the projected costs of such campaigns.

RESPONSE: The Postal Service will write standards for PRM and QBRM and publish them in the *Federal Register* and the *Postal Bulletin* with other standards to implement the provisions of Docket No. R97-1. The Postal Service will include a description of these new rates in the *Consumer's Guide to Postal Rates and Fees* and the *Consumer's Guide to Postal Services and Products*. Posters for the lobby walls of Post Offices will include a description of these rates.

Also, there may be national training for select bulk mail acceptance employees, personnel to be involved in establishing and auditing PRM systems, Mailpiece Design Analysts, and window clerks, as well as training of customers by Postal Service employees.

It is not possible to separately quantify the training costs for PRM, QBRM, or the 33-cent stamp since those programs will be part of the complete training package for Docket No. R97-1.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES  
OF THE OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9372

OCA/USPS-T32-51. Has the Postal Service surveyed or analyzed the automation compatibility of courtesy reply envelopes of the type frequently sent by business concerns to households (e.g., utility companies that send prebarcoded envelopes to customers)? Please describe any results or analysis. If such results or analysis are contained in a report, submit that report. If there exists more than one report, submit the most recent version. If no survey or analysis has been conducted, please explain why.

RESPONSE: No. Generally, courtesy reply envelopes meet the automation compatibility requirements so there has not been a need for a formal survey or analysis. Moreover, courtesy reply envelopes bear a facing identification mark (FIM) and barcode as a result of proactive steps taken with mailers prior to the printing of the envelopes. For instance, Mailpiece Design Analysts (MDAs) work with these businesses to help them design their courtesy reply pieces to be automation compatible. Part of this work includes providing the mailer with a camera-ready positive that can be given to the envelope printer, so a FIM and barcode can be printed on the envelope. Likewise, should quantities of reply mail begin to be rejected on our barcode sorting equipment, that information is forwarded to the MDAs so that follow-up corrective action can be taken with the envelope provider.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES  
OF THE OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

OCA/USPS-T32-52. During hearings in Docket No. MC95-1, Postal Service witness McBride stated (Tr. 762) that the Postal Service was contemplating a requirement that courtesy reply mail pieces be automation compatible and meet the Service's quality requirements. Please confirm that Domestic Mail Manual section C810.8.0, Enclosed Reply Cards and Envelopes, effectuates that change. If not confirmed, please explain.

RESPONSE: Domestic Mail Manual C810.8.0 requires courtesy reply, business reply, and meter reply mail to be automation compatible when they are mailed as enclosures in letter-size pieces that are mailed at an automation postage rate.

RESPONSE OF UNITED STATES POSTAL SERVICE TO  
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9374

**OCA/USPS-T32-53.** Please refer to the response of Postal Service witness Plunkett to interrogatory OCA/USPS-T3-1 in Docket No. MC97-5. The interrogatory in general posed questions about a survey's finding that customers of a pack-and-send service systematically paid postage that was too high. Witness Plunkett, in response to OCA/USPS-T3-1(f), states: "The Postal Service does not plan to require that clerks communicate this [risk of overpayment] to customers." In response to OCA/USPS-T3-1(g), witness Plunkett asserts that administering a repayment system "would be very difficult to administer . . . ." In short, it appears that the Postal Service will not refund moneys to customers who overpay postage during a pack-and-send transaction.

- a. How is this position of the Postal Service witness in Docket No. MC97-5 consistent with the Postal Service's stated concern about consumers who knowingly or out of confusion *underpay* First-Class postage, i.e., the so-called "two-stamp" problem?
- b. Is it the Postal Service's position that it cares when customers pay *too little* postage but does not care if they pay *too much*?
- c. Can the Postal Service explain its concerns over First-Class Mail customers who *knowingly* pay *too little* First-Class postage when the import of witness Plunkett's testimony is that the Postal Service will *knowingly* keep postage overpayments made during a pack-and-send transaction?

**OCA/USPS-T32-53 Response:**

a-c. This question rests on the mistaken premise that shortpayment of postage for ordinary First-Class Mail and postage estimation techniques for packaging service are comparable. The means of acceptance and method by which postage is determined for these two services differ substantially; consequently, there is no inconsistency in the payment policies for these services.

First, as a general matter, the Postal Service intends that all customers pay the applicable postage and fees for the products and services that they use. In the case of packaging service, the nature of the service does not lend itself to

RESPONSE OF UNITED STATES POSTAL SERVICE TO  
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

precise determination of weight at the time the retail transaction is culminated; consequently, postage must be estimated prior to packaging. (see Docket No. MC97-5, USPS-T-3, pp. 11-13). As a result, due to variances in the materials (particularly filling materials) used, there will be instances where the estimate of postage does not match the applicable postage for the article once it is packaged. That the Postal Service does not intend to inform customers of the risk of overestimation is not unreasonable: the Postal Service proposes the retention of overpayments to cover situations where postage is underestimated. In this manner, packaging service overpayments and underpayments should balance, thereby protecting ratepayers of other services from the risk of having to cover the costs associated with underestimation of postage for packaging service articles. This does not reflect a lack of concern on the part of the Postal Service for packaging service customers who will overpay postage based on estimates. Precision is the ultimate goal, and the Postal Service is committed to achieving that objective to the extent practicable. Indeed, as witness Plunkett succinctly explains in his testimony, the Postal Service's experience with the pilot test of Pack & Send service, and the conclusions from its study of estimation techniques in USPS LR-5/MC97-5, serve as useful tools for improving estimation techniques in the future. See Docket No. MC97-5, USPS-T-3, pp. 17-18.

Unlike packaging service transactions, First-Class letters are not subject to postage estimation variances. These pieces are prepared for mailing by the



RESPONSE OF UNITED STATES POSTAL SERVICE TO  
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

mailer prior to acceptance; consequently, their weight and other characteristics affecting the applicable rate can be ascertained at the time of acceptance.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES  
OF THE OCA REDIRECTED FROM WITNESS FRONK

9377

OCA/USPS-T32-54. The August 14, 1997 issue of the Advertising Mail Marketing Association ("AMMA") Bulletin disclosed that AMMA had sent a letter to U.S. Postal Service chief marketing officer Allen Kane, questioning the Postal Service on its progress in the development and the deployment of the Automated Barcode Evaluator (ABE). AMMA reprinted its specific questions and Postal Service responses. Please supply the AMMA letter to Mr. Kane and the Postal Service letter sent in response.

RESPONSE: Please see attached.



July 18, 1997

Mr. Gene Del Polito  
President  
Advertising Mail Marketing Association  
1333 F Street NW, Suite 710  
Washington, DC 20004-1146

Dear Mr. Del Polito:

This is in response to your May 28 letter regarding your concerns and questions with the Automated Barcode Evaluator (ABE) program. The following respond to your specific questions:

- Comparative data to the 1992 GAO report is unavailable at this time. However, based on initial ABE evaluations last year, 20 percent of customer applied barcodes failed to reach minimum acceptance criteria. Since that time improvements to the equipment and increased customer awareness show that currently only 7 percent of customer applied barcodes fall below that level.
- Acceptance procedures exist to ensure that all mailings are properly prepared and proper postage is collected before a mailing enters the mailstream. Our presort verification procedures determine whether or not bulk mailings have been properly prepared. ABE will be used to verify barcodes on mail pieces for which automation rates have been claimed.
- BarQuest consists of a desktop scanner and tracking software. An operator or mail processing supervisor can scan in rejected mailings and create a database entry, to be forwarded to the account manager and Mailpiece Design Analyst for evaluation. The user has to look at the image as if it were the actual mailpiece, and try and determine why the piece rejects. These images are insufficient for all but the most obvious readability problems, and they cannot be used for accurate measurements. On the other hand, ABE evaluates actual pieces in real time and provides valuable feedback to customers and the USPS.
- The USPS guarantees consistency between sorters via the use of set procedures and the running of test decks. These maintenance activities help ensure that barcodes which meet USPS DMM requirements will read consistently across the entire sorter fleet. However, mailpieces containing marginal barcodes may in fact not produce identical results from machine to machine, due to minor variations in mailpiece presentation (either machine produced or from mailpiece insert slippage) from run to run.
- ABE does function differently than the USPS fleet of sorting equipment. To ensure barcoded mailings will be readable on all automation, the USPS must maintain tighter standards in upstream processes. Barcoded mailings may be processed through multiple machines at multiple sites. Marginal barcodes would then pose a problem. It is critical that a "margin of safety" be maintained between ABE's capabilities and the capabilities of our deployed fleet of barcode readers.
- ABE is designed to evaluate barcodes at a level that will ensure readability on all USPS barcode sorting equipment. This technology best fits the criteria requested by our engineers to make efficient use of automation at all facilities.

475 L'ENFANT PLAZA SW  
WASHINGTON DC 20260-2401  
202-268-5839  
FAX 202-268-3428

- 2 -

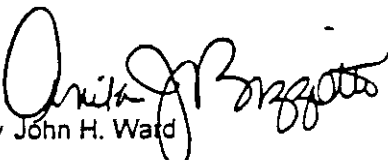
- Our engineers and the ABE manufacturer are working to ensure all equipment functions consistently. A test deck will also be used to monitor the consistency of each ABE.
- Historically, customers have told us that "eyeballing" mail pieces is inconsistent and unreliable. ABE provides an objective tool to accurately measure the print quality of barcodes.
- Business mail acceptance reference cards, reflecting all of the changes as a result of classification reform, were sent out last year to all employees in acceptance units as well as postmasters. In addition, these employees received extensive training on the new requirements.
- Regarding laser and ink-jet printed barcodes which have shown to produce a higher quality barcode, if this technology is not calibrated correctly and quality controls are not adhered to, unreadable barcodes can be produced. Impact printed barcodes continue to perform at a lower rate than laser or ink jet.
- We have not gathered data and have no plans to compile data identifying specific customers or geographic areas producing unreadable barcodes. The evaluation process will notify customers when errors occur and encourage those mailers to correct the problem. We see no value in pointing out such incidences of specific customers or geographically.
- While some may feel that ABE may be, as you so eloquently describe, "a nuclear device designed to kill a gnat", it is our position that ABE is an efficient and effective tool designed to neutralize the negative impact of unreadable barcodes.

In regard to all your questions and concerns you presented, the ABE Technical Advisory Group has done an exemplary job reviewing options and suggesting ways to make ABE successful. This group was formed to ensure that the ABE program is not implemented until it operates as intended. They have been very instrumental in moving forward changes to the program such as, machine modification, levels of acceptance, operating procedures and alternate methods of barcode evaluation. Kathy Siviter of your staff has been an important part of that process. Please thank her for her input and participation.

Please rest assured we will continue to monitor the equipment's performance and the implementation process to ensure the results remain within expected parameters and that customers are provided with sufficient feedback to minimize deficiencies and improve barcode quality.

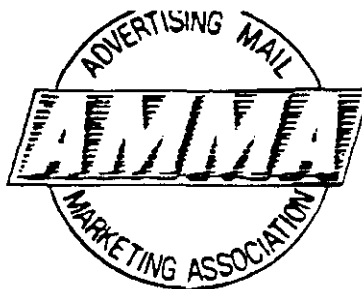
Thank you for sharing your comments regarding this program. If you have any questions or require additional information, feel free to contact Paulette Kelly at (202) 268-6892.

Sincerely,

  
John H. Ward

cc: Allen Kane  
Anita Bizzotto  
Paulette Kelly  
John Sadler

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## Celebrating Our 50th Year

May 28, 1997

Mr. Allen Kane  
Chief Marketing Officer  
U.S. Postal Service  
475 L'Enfant Plaza, SW, Rm. 5021  
Washington, DC 20260-2400

Dear Allen:

While at the New Orleans Forum, I had the occasion to speak with a number of people who are among my members about the progress being made on the development and deployment of the Automation Barcode Evaluator (ABE). While most people understand that the genesis of the Postal Service's drive toward ABE's development came from the General Accounting Office (GAO) report on mail acceptance procedures, there still are questions as to why the Postal Service chose ABE for its evaluation system as opposed to other alternative procedures and/or equipment. It's gotten to the point now that I no longer can answer all the questions that are posed to me without some assistance from you and your staff.

Here are some of the questions to which I have no good answers.

- What is the incidence of barcode reading errors on barcoded mailings now being prepared by mailers? The GAO makes reference to a 7.4% reject rate, which was last determined in FY 92. Is that figure still valid, or has the quality of mailer-applied barcodes improved to any appreciable degree since then?
- If the error rate is no greater than the five percent allowance presently permitted under today's acceptance procedures, is the development and deployment of ABE still necessary?
- The GAO makes reference to "Barquest" as a device for determining barcode readability. In what ways are Barquest and ABE the same or different? If they are different in any form or substance, what made the Postal Service select ABE over Barquest? [Several of our lettershop members have reported that facilities who have had the Barquest device often have left it unused.]
- Mailers often report that mail that "fails" on one barcode sorter works perfectly fine on another. Reportedly, local postal officials have ascribed these sorts of failures to machines that are "out of spec." How often is this the case, and could this possibly be the cause of most barcode sorter read errors?
- Mailers have reported that mail which fails on an ABE device often works quite well on barcode sorters. In what ways are the devices

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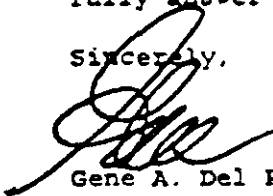
United States Postal Corp.

used to read barcodes on actual in-the-field sorters the same or different from the scanners (readers) used with ABE devices?

- If field barcode sorters are what ultimately is being used to sort barcoded letters, and if there are appreciable differences in the performance of barcode sort read heads and ABE devices, why has the Postal Service sought to use a device that very imperfectly replicates what can be expected in the real world? Why, for instance, has the Postal Service not sought to develop a simpler replicate of the device used on sorters in the field in lieu of something such as ABE?
- Mailers have reported that tests run on ABE can differ remarkably depending on which ABE device is used. Doesn't this seem to suggest a lack of reliability and validity within such a measurement instrument?
- The GAO seemed critical of "eyeballing" barcodes to determine which were unreadable. But does the Postal Service have any data that suggests "eyeballing" fails to catch unreadable barcodes? If not, why not?
- To what degree is the problem articulated in GAO's report a matter of a failure to train properly mail acceptance clerks as opposed to heinous behavior on the part of mailers? What steps has the USPS taken to rectify any training-related problems?
- Mailers suspect that the largest proportion of barcode read errors are produced by impact printers as opposed to laser or ink-jet. How true is this? And if it is true, is the read-error rate of laser or ink-jet applied barcodes of such insufficient quality as to require a device such as ABE?
- Does the Postal Service have any data that indicates whether barcode read errors predominantly originate with specific mailers or within specific geographical areas?
- Finally, is this "solution" a sufficient fit to the "problem," or is the Postal Service about to approach this issue with a "solution" that amounts to using a nuclear device to kill a gnat?

I know these inquiries may seem irksome. Nonetheless, the communication challenge I face, the Postal Service ultimately must face as well. I'd appreciate whatever you could do to provide me with sufficient information to fully answer these sorts of inquiries. Thanks.

Sincerely,



Gene A. Del Polito  
President

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES  
OF THE OCA REDIRECTED FROM WITNESS FRONK

9382

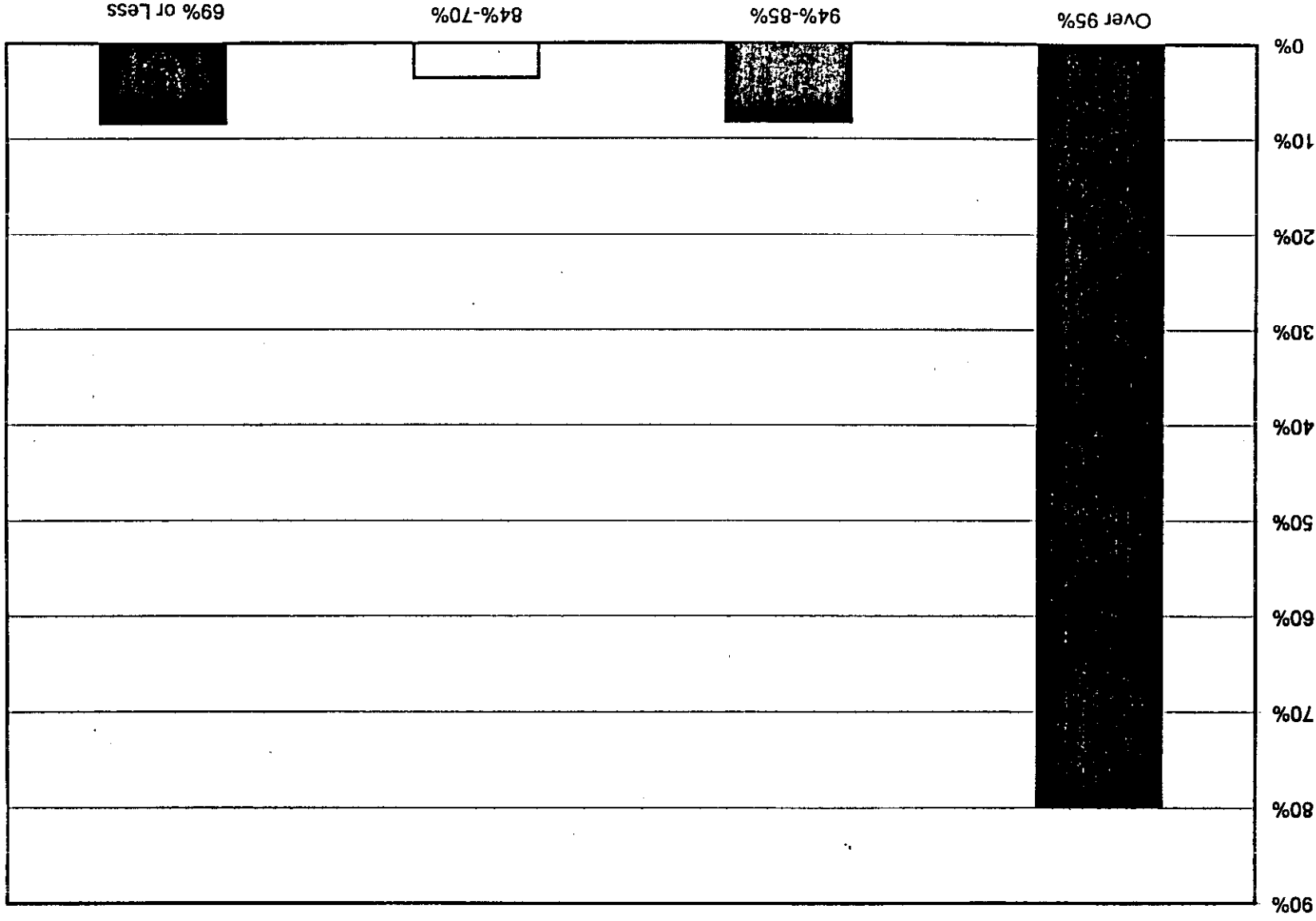
OCA/USPS-T32-55. Interrogatories 55-56 assume the accuracy of the reprinted Postal Service response ("response") as published in the AMMA newsletter. To the extent any question does not reflect the contents of the Postal Service reply, please indicate. The response states that "improvements to the equipment and increased customer awareness show that only 7 percent of customer applied barcodes fall below that level [of minimum acceptance criteria]."

- a. Please provide the latest rate for barcodes falling below the minimum accepted level. If the figure is contained in a document, please supply that document.
- b. Please describe how barcode accuracy is monitored, and with what frequency the monitoring takes place.
- c. Please set forth the costs of such monitoring, and explain (with specific reference to the testimony) how these costs are allocated in the docket.

RESPONSE:

- (a) Please see attached. The latest rate for the week ending August 27, 1997 is also in the 7 percent range.
- (b) Currently the ABE tests for barcode readability, not accuracy. Initially an ABE test is performed on each barcoded mailing entered by a mailer. After a mailing passes ABE, the mailer is moved to a 1 in 5 sampling schedule. After 10 consecutive passed verifications, the mailer is moved to a 1 in 30 sampling schedule. In non-ABE sites, clerks will continue to verify barcoded mailings through manual verification, using templates.
- (c) The Postal Service is unaware of any estimate of the costs of such monitoring. The costs of the monitoring of barcode quality are contained in Cost Segment 2 (Supervisors and Technicians) and Cost Segment 3 (Clerks and Mailhandlers).

NATIONAL ABE SUMMARY REPORT  
Week Ending August 27, 1997





RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES  
OF THE OCA REDIRECTED FROM WITNESS FRONK

9384

OCA/USPS-T32-56. The Postal Service response to AMMA states: "We have not gathered data and have no plans to compile data identifying customers or geographic areas producing unreadable barcodes. The evaluation process will notify customers when errors occur and encourage those mailers to correct the problem. We see no value in pointing out such incidences of specific customers or geographically."

- a. Please describe the process referred to in the quotation that "will notify customers when errors occur and encourage those mailers to correct the problem."
- b. Please supply the most recent example of such notification.
- c. Please describe what happens to mail in the mailstream once a barcoding error is detected, include additional sortations that must take place.
- d. In reference to (c) herein, how are the costs of any additional sortations or other mail processing costs allocated in the Postal Service's costing methodology?

RESPONSE:

- (a) When any readability errors are detected, the ABE machine prints out a diagnostic report which is given to the customer.
- (b) Attached is a sample of the letter which is sent to customers notifying them of any problems.
- (c) Redirected to witness Moden.
- (d) Redirected to witness Hatfield.

**SAMPLE LETTER - DIAGNOSTIC PHASE**

Date:

To:

On \_\_\_\_\_ automation mail presented by your firm was processed on the Automated Barcode Evaluator (ABE) at the \_\_\_\_\_ Business Mail Entry Unit. The results of this test indicated that the highest read rate achieved through three, 100 piece, random samplings was \_\_\_\_\_%.

In order to allow your firm the opportunity to correct any barcode deficiencies, we will not be assessing any postage adjustments at this time.

If this mail had been presented after implementation (date not set) a postage adjustment of \$ \_\_\_\_\_ as shown on the enclosed worksheet would have been assessed.

A copy of the ABE report is provided to allow you to make the necessary improvements to barcode quality.

If you have any questions concerning your Automation rate mailings please call \_\_\_\_\_ at \_\_\_\_\_.

Sincerely,

BME Manager

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES OF THE  
OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9386

OCA/USPS-T32-57. Please refer to LR H-226, "Qualitative Market Research-Prepaid Reply Mail Product Concept In-Depth Interviews with Businesses - Final Report," ("report") dated May 2, 1997.

- a. Confirm that Price Waterhouse authored the report. If not confirmed, please explain.
- b. Does the Postal Service plan to introduce the report as part of its testimony in this docket? If not, why not? If so, who will sponsor it?
- c. Please supply all documents not already provided as part of LR H-226 relating to giving instructions or guidance for preparation of the report, including, but not limited to, instructions or guidance to the author for preparing the study methodology, for conducting the study, and for writing the report's conclusions.

**RESPONSE:**

Part a: Price Waterhouse LLP authored the entire report.

Part b: Objection filed.

Part c: Price Waterhouse has prepared many market research reports for the USPS during the last few years; hence, there was no need for extremely detailed written instructions for the preparation of LR H-226. Some limited instructions were provided in Section C of the Statement of Work (USPS-LR-H-263). There are no written documents other than the Statement of Work that provide specific instructions or guidance for preparing the study methodology. Rather, specific directions to the contractor were given verbally in meetings over the telephone as needed. For example, at the project kickoff meeting Price Waterhouse was verbally directed by the Postal Service to follow a report format which is reflected in a previous study. With respect to the report's conclusions, no written instructions were provided to the contractor. The USPS simply asked the contractor to reach its own conclusions based on information collected during the qualitative market research.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES OF THE  
OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9387

OCAIUSPS-T32-59. At page 10 of the report it is stated that telephone interviews were conducted with interviewees; these interviews were audio recorded to facilitate analysis.

- a. Please clarify whether the audio tapes still exist.
- b. Were the audio tapes transcribed or summarized in any form? If transcriptions were made, were the transcriptions verbatim? Please explain.
- c. Did the interviewer(s) take separate notes? Please explain.
- d. Were the notes in (c) later transcribed or edited? Please explain.

RESPONSE:

Part a: Yes, the audio tapes exist for nine of the ten interviews - one interviewee refused to be audio taped.

Part b: Yes, the audio tapes were transcribed in a verbatim format.

Part c: No, the interviewers did not take separate notes because the interviews were being audio taped.

Part d: *There were no additional notes taken during the interview, therefore,* transcription or editing was not required. Notes were taken for the one interview that was not audio taped.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES OF THE  
OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9388

OCA/USPS-T32-60. Please refer to Appendix D, page 1 of the report, entitled "Pre-Interview materials." Is this the "two page summary about the product concept" sent to interviewees, as referred to in Appendix C, page 3? If not, please explain.

RESPONSE: Yes.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES OF THE  
OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9389

OCA/USPS-T32-61. The pre-interview materials contain the following paragraphs:

At present, households need to obtain and affix a stamp to courtesy reply envelopes or plain "white" envelopes. *Thus, the advantages for households include convenience and savings in mailing costs, depending on how the product is priced.* Consumer interest may also depend on whether the household pays the postage explicitly or implicitly, as discussed below.

*For businesses, the advantages include faster return of remittances because households won't have to delay mailing in their payment due to the lack of a stamp, and potential "good will" among customers who believe that returning the envelope is "free" or who understand that their remittances are traveling at a reduced postage rate. [emphases supplied.]*

- a. Do the italicized portions of the pre-interview materials sent to interviewees infect the results with bias, perhaps leading the interviewees to be predisposed in favor of the proposals discussed with the interviewer? Please explain.
- b. Please explain if you do not agree there *is* a bias problem, with reference to survey literature indicating that statements such as those italicized are appropriate in surveys.

RESPONSE:

Part a and b: The purpose of the potential Prepaid Reply Mail product was to provide advantages to consumers and businesses. This, therefore, is an integral part of the description of the product. The market research that was conducted within the Price Waterhouse study for the Prepaid Reply Mail was intended to also gauge the perceived disadvantages that businesses and consumers may view in this product. This is depicted in the interview guides in Appendices A and B of the Final Report document.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES OF THE  
OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9390

OCA/USPS-T32-63. The report at pages 9-10 indicates that within each of the organizations interviewed, a manager responsible for the overall management or supervision of bill payment options, particularly mail payment options, was identified.

- a. Please supply the names, positions, phone numbers, and organization names for all persons interviewed for this report, OCA will agree to appropriate confidentiality provisions regarding such information.
- b. Please refer to Docket No. MC95-1 and OCA's Courtesy Envelope Mail ("CEM") proposal. Please indicate whether the Postal Service would be amenable to furnishing the persons described in (a) with a questionnaire concerning CEM prepared by OCA. If not, why not?
- c. Pages 10-11 of the report describe the challenges associated with finding and then contacting the right person responsible for managing mail payment options. How many hours did the persons conducting the report require to identify and then successfully contact such persons?

RESPONSE:

Part a: Objection filed.

Part b: Objection filed.

Part c: The number of hours to identify organizations and successfully contact the appropriate person to interview was not tracked. We can estimate that it took approximately 20 hours to develop the potential interview list and we can estimate that it took on average 6 telephone calls to contact the appropriate person within the companies identified.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES OF THE  
OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9391

OCA/USPS-T32-64. At page 11 the report states that the "difficulties encountered in identifying and contacting potential interviewees required the expansion of the interviewee criteria to include organizations that do not currently include a postage prepaid envelope with their bill statements, but rather include a courtesy reply mail (CRM) envelope. The methodological change was approved by the USPS."

- a. Did the Postal Service want to limit the original Interview process only to, essentially, BRM mailers? If so, why? If not, please explain.
- b. According to page 11 of the report, there were three interviews with current BRM users. Does this mean that the Postal Service was able to find only three BRM users in the entire United States? Please explain.
- c. Were any current BRM users not considered or rejected for interviewing? If so, please explain.
- d. Were current CRM mailers originally not considered suitable for being interviewed? Please explain.
- e. Did the Postal Service believe prior to the interview process that current CRM mailers would not be attracted to the two proposals under discussion in the report? Please explain.
- f. As noted, on page 11 the report states that the methodological change was approved by the Postal Service. Please submit all documents relating to such approval, including, but not limited to, all documents relating to the need for such a change.
- g. The report at page 11 states that the findings in the report are not intended to be statistically representative, reflecting the data gathered from the interviews. Did the Postal Service ever consider, or even plan, a survey that it believed would obtain statistically representative results? If so, explain. If not, why not?

**RESPONSE:**

Part a: The Postal Service wanted the contractor to interview businesses that currently provide BRM envelopes to their customers for bill payment purposes. The USPS targeted these BRM firms because their current practices are somewhat similar to the Prepaid Reply Mail concept. The USPS also wanted to learn why these firms currently provide their customers with a BRM bill payment service. Lastly, the Postal Service felt that the BRM



RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES OF THE  
OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9392

RESPONSE to OCA/USPS-T32-64 (continued)

interviews would be useful for directional purposes relating to Prepaid Reply Mail.

Part b: It was difficult to identify organizations that used BRM for bill payment purposes.

Part c: Only current BRM users that use BRM for customer bill payments were considered for interviewing, other BRM users were not.

Part d: The initial scope of the study was to target a subset of BRM users; however, the scope of the study was expanded to include CRM users when it was determined that the use of BRM for bill payment purposes was limited.

Part e: Answered by witness Fronk.

Part f: No such documents exist because the change was verbally given to the contractor. The possibility of a methodological change was anticipated in the original Prepaid Reply Mail contract, and it had no impact on the contractor's scope of work, price, or schedule. Hence, an additional document relating to such a change was not necessary. When it was determined that in the time allotted the contractor could only find three firms that give their customers BRM envelopes for bill payment purposes, it was mutually decided by the USPS and Price Waterhouse that they should supplement the interviews with business mailers (across a variety of industries) which receive large volumes of CRM.

Part g: Answered by witness Fronk.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES  
OF THE OCA REDIRECTED FROM WITNESS FRONK

OCA/USPS-T32-65. At page 10 of the report, it is stated that: "Estimates indicate that only 5% of the envelopes enclosed with bills are prepaid." Please describe the empirical basis for this assertion, including any information the Postal Service gave to the report's author.

RESPONSE: The empirical basis for this estimate, given by the contractor in the report on the Prepaid Reply Mail (PRM) product concept, is preliminary data from the FY 1996 Household Diary Study, the final version of which is currently under production. The attached tables 116 and 117 are produced by that study. Please note that all figures on the table represent pieces per week and are in hundred thousands (add 5 zeros).

Table 116 shows that 37,700,000 reply envelopes per week were provided by electric, gas, and water companies. Table 117 shows that, of those reply envelopes, 1,900,000 were prepaid, which is exactly 5% of the total. The electric, gas, and water group of companies was selected for the estimate because the mail pieces sent to households from those groups would be predominantly bills rather than solicitations. Almost all of the other categories had greater percentages of prepaid envelopes enclosed in their mailings, but many of them are likely to be solicitations rather than bills.

U.S.P.S. HOUSEHOLD DIARY STUDY - DIARY - FISCAL YEAR 1996 WITH ADJUSTMENT FACTORS (SEPT. 18, 1995 - SEPT. 15, 1996)  
 TABLE 116  
 FIRST-CLASS MAIL RECEIVED  
 0.10 - WAS A RETURN ENVELOPE/CARD ENCLOSED  
 (BASED TO FIRST-CLASS MAIL ONLY)

FIRST-CLASS MAIL RECEIVED - INDUSTRY									
	UNWEIGHTED HOUSEHOLDS	UNWEIGHTED PIECES	WEIGHTED HOUSEHOLDS	WEIGHTED PIECES (BASE)	YES	NO	DON'T KNOW/NO ANSWER	NOT INDUSTRY MAIL	CHILTON RESEARCH SERVICES NO. 5746
TOTAL	5300	43983	896	8282	3571	3946	466	1298	8.32
SER PHONE	5300	2271	896	506	1195	879	127	-	2.22
GAS	5300	10034	896	2201	365	879	24	-	0.51
ELEC.	5300	2315	896	508	377	117	24	-	0.51
MEDI OTHER	5300	2423	896	535	220	107	30	-	0.54
SURE CABLE	5300	515	896	104	23	72	10	-	0.10
LEI	5300	901	896	203	32	158	13	-	0.20
COMPU	5300	192	896	152	120	26	6	-	0.16
TER CRAFT	5300	126	896	38	11	26	1	-	0.03
TRASH/LEC	5300	58	896	13	6	49.3	1	-	0.01
GAR CDR	5300	29	896	8	5	34.5	1	-	0.01
AGEN MINA	5300	31	896	5	2	65.8	-	-	0.08
EXTER / BUR	5300	19	896	4	1	59.0	0.	-	0.07
PLTS CLUB	5300	73	896	17	9	39.5	1	-	0.01
TOTAL VICES	5300	43983	896	8282	3571	3946	466	1298	8.32
CO. WATER	5300	2271	896	506	1195	879	127	-	2.22
CAL PROF.	5300	2423	896	535	220	107	30	-	0.54
SERV. TV	5300	901	896	203	32	158	13	-	0.20
REL.	5300	192	896	38	11	26	1	-	0.03
SMAV	5300	126	896	58	29	65.8	-	-	0.08
VICE	5300	31	896	4	1	59.0	0.	-	0.07
CLUB	5300	73	896	17	9	39.5	1	-	0.01

WEIGHTED NUMBERS ARE REPORTED IN HUNDRED THOUSANDS

U.S. P.S. HOUSEHOLD DIARY STUDY - DIARY - FISCAL YEAR 1996 WITH ADJUSTMENT FACTORS (SEPT. 10, 1995 - SEPT. 15, 1996)  
 TABLE 116  
 FIRST-CLASS MAIL RECEIVED  
 0.10 - WAS A RETURN ENVELOPE/CARD ENCLOSED  
 (BASED TO FIRST-CLASS MAIL ONLY)

FIRST-CLASS MAIL RECEIVED - INDUSTRY									
DELIV	ERY/	MESS	ENGGR	PHOTO	PHOTO	ENGGR	PHOTO	PHOTO	ENGGR
SECUR	ITY	SYS-	DAY	SER	SER	SER	SER	SER	SER
TOTAL	VICES	AGE	VICES	AGE	VICES	AGE	VICES	AGE	VICES
5300	5300	5300	5300	5300	5300	5300	5300	5300	5300
UNWEIGHTED HOUSEHOLDS	UNWEIGHTED HOUSEHOLDS	UNWEIGHTED HOUSEHOLDS	UNWEIGHTED HOUSEHOLDS	UNWEIGHTED HOUSEHOLDS	UNWEIGHTED HOUSEHOLDS	UNWEIGHTED HOUSEHOLDS	UNWEIGHTED HOUSEHOLDS	UNWEIGHTED HOUSEHOLDS	UNWEIGHTED HOUSEHOLDS
43883	10034	10	54	24	12	17	5	36	
WEIGHTED HOUSEHOLDS	WEIGHTED HOUSEHOLDS	WEIGHTED HOUSEHOLDS	WEIGHTED HOUSEHOLDS	WEIGHTED HOUSEHOLDS	WEIGHTED HOUSEHOLDS	WEIGHTED HOUSEHOLDS	WEIGHTED HOUSEHOLDS	WEIGHTED HOUSEHOLDS	WEIGHTED HOUSEHOLDS
996	996	100.0	996	996	100.0	996	996	100.0	996
9282	2201	1	8	5	2	4	1	9	
WEIGHTED PIECES (BASE)	WEIGHTED PIECES (BASE)	WEIGHTED PIECES (BASE)	WEIGHTED PIECES (BASE)	WEIGHTED PIECES (BASE)	WEIGHTED PIECES (BASE)	WEIGHTED PIECES (BASE)	WEIGHTED PIECES (BASE)	WEIGHTED PIECES (BASE)	WEIGHTED PIECES (BASE)
3571	1195	-	3	1	0.	0.	0.	6	
38.5	54.3		32.5	21.8	6.4	6.7	25.3	61.2	
100.0	33.5		0.1					0.2	
38.5	12.8							0.1	
3846	878	1	5	4	2	3	1	2	
42.5	38.9	83.3	53.4	71.6	83.6	64.4	60.9	21.8	
100.0	22.3		0.1	0.1		0.1		0.1	
42.5	9.5								
466	127	0.	1	0.	-	1	0.	2	
5.0	5.8	6.7	14.1	6.5		28.8	13.8	17.0	
100.0	27.2		0.3	0.1		0.3		0.3	
5.0	1.4								
NOT INDUSTRY MAIL	NOT INDUSTRY MAIL	NOT INDUSTRY MAIL	NOT INDUSTRY MAIL	NOT INDUSTRY MAIL	NOT INDUSTRY MAIL	NOT INDUSTRY MAIL	NOT INDUSTRY MAIL	NOT INDUSTRY MAIL	NOT INDUSTRY MAIL
1298	14.0	-	-	-	-	-	-	-	
100.0	14.0								
14.0	14.0								
8.32	2.22	-	0.01	0.01	-	-	-	0.01	
7.04	2.15	0.05	0.12	0.08	0.05	0.08	0.03	0.10	
0.10	0.03								
STD DEV	STD DEV	STD DEV	STD DEV	STD DEV	STD DEV	STD DEV	STD DEV	STD DEV	STD DEV
0.10	0.03								
STD ERROR	STD ERROR	STD ERROR	STD ERROR	STD ERROR	STD ERROR	STD ERROR	STD ERROR	STD ERROR	STD ERROR

WEIGHTED NUMBERS ARE REPORTED IN HUNDRED THOUSANDS

U.S.P.S. HOUSEHOLD DIARY STUDY - DIARY - FISCAL YEAR 1996 WITH ADJUSTMENT FACTORS (SEPT. 10, 1995 - SEPT. 15, 1996)

TABLE 116  
FIRST-CLASS MAIL RECEIVED  
Q. 10 - WAS A RETURN ENVELOPE/CARD ENCLOSED  
(BASED TO FIRST-CLASS MAIL ONLY)

9396

FIRST-CLASS MAIL RECEIVED - INDUSTRY									
	TOTAL DEPT.	LAND RES	CON SUPER	MAIL STORE	MAIL OTHER	PUBLIC PROM	TION RANT	ER STN.	AUC SUMER
UNWEIGHTED HOUSEHOLDS	5300	5300	5300	5300	5300	5300	5300	5300	5300
UNWEIGHTED PIECES	43993	6697	1446	839	1048	1600	77	20	254
WEIGHTED HOUSEHOLDS	996	996	996	996	996	996	996	996	996
WEIGHTED PIECES (BASE)	9282	1184	297	202	216	333	13	5	57
YES	3571	609	198	111	54	225	4	0.	6
NO	38.5	51.5	66.8	54.7	24.8	67.7	29.4	5.5	11.0
	100.0	17.1	5.6	3.1	1.5	6.3	0.1	0.2	0.1
	38.5	6.6	2.1	1.2	0.6	2.4	0.1	0.1	0.1
	3946	524	87	84	150	94	8	5	47
	42.5	44.3	29.3	41.4	69.6	28.4	64.5	93.3	82.8
	100.0	13.3	2.2	2.1	3.8	2.4	0.2	0.1	1.2
	42.5	5.6	0.9	0.9	1.6	1.0	0.1	0.5	0.1
DON'T KNOW/NO ANSWER	466	50	11	8	12	13	1	0.	4
	5.0	4.2	3.8	4.0	5.5	3.9	6.1	1.3	6.2
	100.0	10.8	2.4	1.7	2.5	2.8	0.2	0.8	0.1
NOT INDUSTRY MAIL	1298	5.0	0.5	0.1	0.1	0.1	-	-	-
	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0
MEAN	9.32	1.18	0.31	0.20	0.22	0.34	0.01	0.01	0.06
STD DEV	7.04	1.56	0.68	0.60	0.56	0.76	0.12	0.08	0.28
STD ERROR	0.10	0.02	0.01	0.01	0.01	0.01	-	-	-

WEIGHTED NUMBERS ARE REPORTED IN HUNDRED THOUSANDS

FIRST-CLASS MAIL RECEIVED - INDUSTRY

CHILTON RESEARCH SERVICES NO. 5746 APRIL 1997 WEIGHTED NUMBERS ARE REPORTED IN HUNDRED THOUSANDS

U.S. P.S. HOUSEHOLD DIARY STUDY - DIARY - FISCAL YEAR 1996 WITH ADJUSTMENT FACTORS (SEPT. 18, 1995 - SEPT. 15, 1996)

TABLE 117  
FIRST-CLASS MAIL RECEIVED  
0 11 - DID THE RETURN ENVELOPE/CARD REQUIRE POSTAGE  
ONLY ANSWERED IF A RETURN ENVELOPE/CARD WAS ENCLOSED  
SEND TO FIRST-CLASS MAIL ONLY)

FIRST-CLASS MAIL RECEIVED - INDUSTRY

UNWEIGHTED HOUSEHOLDS		UNWEIGHTED PIECES		WEIGHTED HOUSEHOLDS		WEIGHTED PIECES (BASE)		WAS PRESTAMPED OR POSTAGE PAID		NEEDED A STAMP		DON'T KNOW/NO ANSWER		MEAN		STD DEV		STD ERROR		SIGMA		EACH CELL CONTAINS:		COUNT		HORIZONTAL PERCENT		CELL PERCENT	
TOTAL	5300	16197	5370	886	886	3571	1195	761	112	21.3	8.3	2743	1063	67	20	1.8	1.20	3.15	0.05	0.05	3571	1195	100.0	100.0	100.0	100.0	100.0	100.0	
SER	5300	1629	5300	886	886	365	1185	33	10	5.1	9.0	329	352	3	3	0.1	0.36	0.67	0.01	0.01	365	377	100.0	100.0	100.0	100.0	100.0	100.0	
PHONE	5300	1680	5300	886	886	377	1220	19	18	8.7	8.7	195	195	5	5	0.2	0.22	0.68	0.01	0.01	377	220	100.0	100.0	100.0	100.0	100.0	100.0	
ELEC.	5300	1690	5300	886	886	377	1220	5	5	20.0	20.0	18	18	1	1	0.8	0.02	0.16	0.01	0.01	23	23	100.0	100.0	100.0	100.0	100.0	100.0	
GAS	5300	1690	5300	886	886	377	1220	5	5	43.1	43.1	14	17	1	1	2.5	0.03	0.22	0.01	0.01	32	32	100.0	100.0	100.0	100.0	100.0	100.0	
LEI	5300	1690	5300	886	886	377	1220	5	5	57.0	57.0	6	113	2	2	1.5	0.12	0.36	0.01	0.01	120	120	100.0	100.0	100.0	100.0	100.0	100.0	
CABLE	5300	538	5300	886	886	377	1220	5	5	24.0	24.0	4	36.0	0.1	0.1	7.0	0.01	0.11	0.08	0.01	11	11	100.0	100.0	100.0	100.0	100.0	100.0	
TER	5300	57	5300	886	886	377	1220	5	5	0.2	0.2	4	76.0	0.1	0.1	0.1	0.01	0.08	0.01	0.01	5	5	100.0	100.0	100.0	100.0	100.0	100.0	
COMPU	5300	26	5300	886	886	377	1220	5	5	0.2	0.2	4	94.1	0.1	0.1	0.1	0.01	0.08	0.01	0.01	6	6	100.0	100.0	100.0	100.0	100.0	100.0	
GRAFT	5300	22	5300	886	886	377	1220	5	5	0.2	0.2	5	100.0	0.1	0.1	0.1	0.01	0.08	0.01	0.01	5	5	100.0	100.0	100.0	100.0	100.0	100.0	
TRASH	5300	17	5300	886	886	377	1220	5	5	0.2	0.2	5	100.0	0.1	0.1	0.1	0.01	0.08	0.01	0.01	5	5	100.0	100.0	100.0	100.0	100.0	100.0	
BAGE/	5300	15	5300	886	886	377	1220	5	5	0.2	0.2	2	100.0	0.1	0.1	0.1	0.01	0.08	0.01	0.01	2	2	100.0	100.0	100.0	100.0	100.0	100.0	
LEC	5300	5	5300	886	886	377	1220	5	5	0.2	0.2	1	100.0	0.1	0.1	0.1	0.01	0.08	0.01	0.01	1	1	100.0	100.0	100.0	100.0	100.0	100.0	
COL	5300	39	5300	886	886	377	1220	5	5	0.2	0.2	6	100.0	0.1	0.1	0.1	0.01	0.08	0.01	0.01	9	9	100.0	100.0	100.0	100.0	100.0	100.0	
AGEN	5300	5	5300	886	886	377	1220	5	5	0.2	0.2	1	100.0	0.1	0.1	0.1	0.01	0.08	0.01	0.01	1	1	100.0	100.0	100.0	100.0	100.0	100.0	
MINA	5300	5	5300	886	886	377	1220	5	5	0.2	0.2	1	100.0	0.1	0.1	0.1	0.01	0.08	0.01	0.01	1	1	100.0	100.0	100.0	100.0	100.0	100.0	
IAL	5300	5	5300	886	886	377	1220	5	5	0.2	0.2	1	100.0	0.1	0.1	0.1	0.01	0.08	0.01	0.01	1	1	100.0	100.0	100.0	100.0	100.0	100.0	
PLTS	5300	5	5300	886	886	377	1220	5	5	0.2	0.2	1	100.0	0.1	0.1	0.1	0.01	0.08	0.01	0.01	1	1	100.0	100.0	100.0	100.0	100.0	100.0	
MOTOR	5300	5	5300	886	886	377	1220	5	5	0.2	0.2	1	100.0	0.1	0.1	0.1	0.01	0.08	0.01	0.01	1	1	100.0	100.0	100.0	100.0	100.0	100.0	
CLUB	5300	5	5300	886	886	377	1220	5	5	0.2	0.2	1	100.0	0.1	0.1	0.1	0.01	0.08	0.01	0.01	1	1	100.0	100.0	100.0	100.0	100.0	100.0	

CHILTON RESEARCH SERVICES NO. 5746 APRIL 1997 WEIGHTED NUMBERS ARE REPORTED IN HUNDRED THOUSANDS

U.S.P.S. HOUSEHOLD DIARY STUDY - DIARY - FISCAL YEAR 1996 WITH ADJUSTMENT FACTORS (SEPT. 18, 1995 - SEPT. 15, 1996)

TABLE 117

FIRST-CLASS MAIL RECEIVED

Q. 11 - DID THE RETURN ENVELOPE/CARD REQUIRE POSTAGE

(ONLY ANSWERED IF A RETURN ENVELOPE/CARD WAS ENCLOSED)

(BASED TO FIRST-CLASS MAIL ONLY)

-----

FIRST-CLASS MAIL RECEIVED - INDUSTRY

DELIV  
ERY/  
MESS

SECUR  
ITY

TOTAL  
EARCH PHOTO ENGER

RES-  
MESS

STOR SER  
VICES PHER VICES

AGE VICES  
SER SER

TOTAL VICES  
SER SER

5300 5300 5300 5300 5300 5300 5300 5300

UNWEIGHTED PIECES 16197 5370 - 17 3 1 2 2 17

UNWEIGHTED HOUSEHOLDS

WEIGHTED HOUSEHOLDS 896 896 896 896 896 896 896 896

WEIGHTED PIECES (BASE) 3571 1195 - 3 1 0 0 0 6

WAS PRESTAMPED OR  
POSTAGE PAID

761 112 3 100.0 100.0 100.0 100.0 100.0

21.3 8.3 100.0 0.4 0.1 18.8 1

21.3 14.7 100.0 21.3 3.1

NEEDED A STAMP

2743 1063 - 1 0 0 0 0 4

76.8 88.0 100.0 100.0 100.0 100.0 100.0

76.8 28.8 100.0 76.8 0.1 69.7 0.1

67 20 - - - - - 10.5 0.9

DON'T KNOW/NO ANSWER

1.8 1.7 100.0 30.8 1.8 0.6

3.58 1.20 - - - - - 0.01

3.15 1.39 - - - - - 0.08

MEAN

STD DEV

STD ERROR

SIGMA

EACH CELL CONTAINS:

COUNT

VERTICAL PERCENT

HORIZONTAL PERCENT

CELL PERCENT

CHILTON RESEARCH SERVICES NO. 5746

APRIL 1997

WEIGHTED NUMBERS ARE REPORTED IN HUNDRED THOUSANDS





U.S.P.S. HOUSEHOLD DIARY STUDY - DIARY - FISCAL YEAR 1996 WITH ADJUSTMENT FACTORS (SEPT. 18, 1995 - SEPT. 15, 1996)  
 TABLE 117  
 FIRST-CLASS MAIL RECEIVED  
 0.11 - DID THE RETURN ENVELOPE/CARD REQUIRE POSTAGE  
 (ONLY ANSWERED IF A RETURN ENVELOPE/CARD WAS ENCLOSED)  
 (BASED TO FIRST-CLASS MAIL ONLY)

FIRST-CLASS MAIL RECEIVED - INDUSTRY											
-----											
TOTAL	TOTAL MANU	TOTAL	REAL	INSUR EST.	MORT	GOVT.	REAL	FED	STATE	SOCL.	TURER
5300	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300	5300
WEIGHTED HOUSEHOLDS	WEIGHTED PIECES	HOUSEHOLDS	PIECES (BASE)	WAS PRESTAMPED OR	POSTAGE PAID	NEEDED A STAMP	DON'T KNOW/NO ANSWER	MEAN	STD DEV	STD ERROR	SIGMA
EACH CELL CONTAINS:	COUNT	VERTICAL PERCENT	HORIZONTAL PERCENT	CELL PERCENT							
TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL
16197	6588	3586	962	348	44	1437	174	379	-	378	744
137											
996	996	996	996	996	996	996	996	996	996	996	996
100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
3571	1464	802	208	80	8	320	40	87	-	87	172
100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
761	422	263	58	35	2	54	7	17	-	17	72
21.3	28.8	32.8	28.4	43.7	22.6	16.8	17.7	19.1	-	19.1	41.8
36.5											
1.2	8.4	2.2	0.5	0.3	7.1	0.9	2.2	0.5	-	2.2	8.4
0.3											
2743	1011	523	145	43	7	260	31	69	-	69	97
76.8	69.1	65.3	69.5	53.2	77.4	81.3	76.9	79.1	-	79.1	56.4
62.2											
0.6	2.5	1.1	0.2	9.5	1.1	2.5	0.9	1.9	-	2.5	3.5
0.4											
1.9	2.7	0.4									
0.1	1.8	2.1	1.8	2.1	3.1	1.9	5.4	1.8	-	1.8	1.8
0.5											
1.2	4.7	0.1									
0.1											
0.02	0.17	0.09	0.08	0.01	0.32	0.05	0.09	0.02	-	0.09	0.17
0.18											
-	0.01	0.01	0.01	0.01	0.14	0.69	0.24	0.34	-	0.34	0.56
-											
-	0.01	0.02	0.01	0.01	0.01	0.01	-	0.01	-	0.01	0.01
-											
3571	1464	802	208	80	8	320	40	87	-	87	172
100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

CHILTON RESEARCH SERVICES NO. 5746

APRIL 1987

WEIGHTED NUMBERS ARE REPORTED IN HUNDRED THOUSANDS

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES OF THE  
OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9402

OCA/USPS-T32-68. Please describe all auditing performed by the Postal Service to ensure that BRM users comply with BRM requirements. In your description, include any databases that contain the identities of such mailers specifically as BRM users.

RESPONSE: When a mailer completes an application to mail using reply mail pieces, the mailer must submit samples of the proposed pieces in a pre-production format. The pieces are provided to the mailing requirements office in a district or to the postmaster if the permit is held in an associate office.

All BRM permit holders are asked to submit samples of their pre-production BRM mailpieces to the USPS mailpiece design analyst (MDA) when the BRM permit is renewed each year. Additionally, a review of a permit holder's pieces can also be triggered when postal operations experience problems processing BRM pieces. The office experiencing the problem will notify the post office where the permit is held. That office will then contact the mailer to explain the problem and to determine corrective action the mailer must take to correct the problem. Depending on the severity of the problem, the mailer may be required to pay a higher BRM rate for all returned pieces.

MDAs and bulk business mail acceptance employees will also randomly select mailings containing BRM pieces for review and testing when bulk mailings are deposited at the business mail entry unit. All BRM pieces enclosed in an automation rate mailing must meet additional automation standards. These BRM pieces are reviewed as part of a regularly scheduled verification and acceptance process used in each business mail entry unit.

The verifications of BRM pieces include a review of the content and placement of BRM legends and markings in the format design, accuracy of the ZIP Code and barcode data for the size and type of piece submitted, paper basis weight and mil thickness, and verification that appropriate fees have been paid.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES OF THE  
OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

RESPONSE to OCA/USPS-T32-68 (continued)

A list of all BRM permit holders is maintained in the mailing requirements office for each district or at the local post office. Most districts have a coordinator or mailing requirements clerk that maintains a file of BRM applications and sample mailpieces. The file also contains a listing of out-of-town permit holders that have paid the appropriate local fees and receive BRM pieces at the local post office. In addition, BRM data is contained in the Permit data base.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES OF THE  
OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9404

OCA/USPS-T32-69. At any point in the interview process used to compile the report did the interviewers raise the possibility of an option identical or similar to the CEM proposal advanced by OCA in Docket No. MC95-1?

- a. If not, why not?
- b. Did you or the Postal Service believe prior to the interview process that interviewees might favor a CEM-type proposal? Please explain.

RESPONSE:

Part a: No. This information was not related to the study which is testing a particular concept - the PRM concept. Please refer to the interview guide in Appendices A and B of the Final Report document.

Part b: Answered by witness Fronk.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES OF THE  
OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9405

OCA/USPS-T32-70. Please refer to page 20 of the report, and the following quotations: (1) "The utility company and the publishing company both using BRM felt very strongly that they received their payments faster [using BRM], thereby enhancing their cash flow." (2) "The publishing company and executive business journal both indicated that they send multiple reminders, invoices, and BRM envelopes to a single customer for renewal and payment of subscriptions." (3) "These interviewees felt that their customers did not perceive any urgency to submit their payments, and the receipt of a single BRM is not necessarily sufficient to entice customers to pay their bills immediately." (4) "This interviewee [referring apparently to the "publisher" in the preceding sentence] felt that customers simply did not pay their bills until they were due."

- a. Which interviewee is being referred to in (4)?
- b. Is there a contradiction between the statement in (1) and the other statements? Please explain.

RESPONSE:

Part a: The publisher is being referred to in (4).

Part b: No this is not a contradiction. The statement in (1) is referring to a general feeling that the interviewees received their payments faster using BRM than if they were not to use BRM. The statements in (2) and (3) are referring specifically to the publishing and executive business journal who send numerous reminders to their customers, well in advance, to inform them that their subscriptions are coming up for renewal. These organizations indicated that many of their customers do not renew their subscriptions on the first notice and prefer to wait until closer to the expiration of their current subscription. The statement in (4) supports the statement in (3) because there are a number of notices sent for subscription renewal, well in advance of the due date, but many customers choose to wait for a later notice of renewal before renewing their subscription.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES OF THE  
OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9406

OCA/USPS-T32-74. At page 21 of the report it is stated that "Bank 2 (current CRM user) considered introducing BRM, however it was deemed far too costly to use."

- a. Please supply the interviewers notes relating to this statement.
- b. What was meant by "far too costly?"
- c. Do you believe that the opinion of Bank 2 would apply to some, all, or most banks?
- d. Why would a bank ever want to use BRM? The proposed PRM? The proposed QBRM?

RESPONSE:

Part a: Please refer to USPS-LR-H-264, Transcript #9.

Part b: Please refer to USPS-LR-H-264, Transcript #9.

Part c and d: Answered by witness Fronk.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES OF THE  
OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9407

OCA/USPS-T32-75. Refer to page 21 of the report. Did the representative of the *insurance company currently using CRM* explain in any more detail why there had never been a concerted attempt within the organization to investigate the potential of using BRM?

RESPONSE:

Please refer to USPS-LR-H-264, Transcript #6.



RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES OF THE  
OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9408

OCA/USPS-T32-76. Please refer to page 22 of the report where it states: "There were, however, some areas [of the current BRMAS accounting system] that could be improved." The remaining three sentences in that paragraph report problems with BRMAS accounting.

- a. Please comment on the reported problems. Are the allegations correct? If not, why not?
- b. Have any reports or other summaries about accounting problems with BRMAS been prepared by the Postal Service or its consultants or contractors within the last five years? If so, please submit all such reports. If not, why not?
- c. What is being done to improve the BRMAS accounting system? Please describe. If any report or summary exists about such improvements, please supply it.

RESPONSE:

(a) The question mischaracterizes this portion of the report as describing "problems" or containing "allegations." The three sentences referenced in the question are about the publishing company that was interviewed. The publishing company interviewee felt that since BRMAS was not operational 24 hours a day, there were delays in receiving its BRM. The Postal Service acknowledges that BRMAS is not operational 24 hours a day, and the Postal Service does not represent to its customers that BRMAS is available 24 hours a day. While the Postal Service recognizes that its customers could receive their mail faster if BRMAS operated continuously, this is not the case.

(b) Please see the document being filed today as USPS Library Reference H-303. This document, "Business Reply Mail/Postage Due Solution, Final Report Draft" was prepared in February 1997. In addition, see the September 30, 1997 response to NDMS/USPS-T27-4(b).

(c) Please see response to part (b) above.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES OF THE  
OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9409

OCA/USPS-T32-77. How will accounting systems currently in place for BRM be improved for the proposed QBRM, and for the proposed PRM?

RESPONSE: The current accounting for prebarcoded BRM which qualifies for the 2-cents per piece rate will be used for QBRM. For PRM, the PRM recipient will perform the accounting, subject to verification and audit by the Postal Service.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES OF THE  
OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9410

OCA/USPS-T32-78. Please refer to page 23 of the report. It is stated: "While there was some discussion regarding the current price of BRM, as well as the potential impact that BRM has on the speed with which they are able to receive and process payments, the general view is that BRM seems to work for their organizations."

- a. Please provide the Interview notes which form the basis for this sentence.
- b. What was "the discussion" regarding the current price of BRM? Please describe.
- c. What was the "potential Impact that BRM has on the speed with which they are able to receive and process payments?" Please describe.

RESPONSE:

Parts a-c: Please refer to USPS-LR-H-264, Transcripts #1, #2, and #3.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES OF THE  
OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9411

OCA/USPS-T32-80. Please refer to page 25 of the report where it is stated:  
"The other interviewees did not perceive PRM as an incentive to keep customers  
from using alternative forms of payment."

- a. Why not? Please set forth the full reasoning of the interviewees on this  
topic.
- b. Please provide the interviewer notes on this topic.

RESPONSE:

Parts a-b: Please refer to USPS-LR-H-264.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES OF THE  
OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9412

OCA/USPS-T32-81. Please refer to pages 25-26 of the report. It is stated:  
"They were somewhat less enthusiastic of a potential new product which would require significant changes to their current BRM process; however, they were uncertain as to the other potential benefits of PRM over BRM, aside from the reduced rate."

- a. Why were they "somewhat less enthusiastic?" Please set forth the full reasoning of the interviewees on this topic.
- b. Please provide the interviewer notes on the topic discussed in (a).
- c. Why were they uncertain as to the other potential benefits of PRM over BRM (aside from the reduced rate)?
- d. Please set forth the full reasoning of the interviewees on this topic.
- e. Please provide the interviewer notes on the topic discussed in (c).

RESPONSE:

Parts a - e: Please refer to USPS-LR-H-264, Transcripts #1, #2 and #3.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES OF THE  
OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9413

OCA/USPS-T32-83. Please refer to page 26 of the report. There it is stated:  
"The regulations surrounding the rate structures of different utilities would  
appear to inhibit the attractiveness of PRM."

- a. Please set forth the full reasoning of the interviewees on this topic.
- b. Please provide the interviewer notes on the topic discussed in (a).

RESPONSE:

Parts a-b: Please refer to USPS-LR-264, Transcripts #7 and #8.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES OF THE  
OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9414

OCA/USPS-T32-84. Please refer again to page 26 of the report where it is stated: "Implicit PRM would require a rate change, which is not attractive..."

- a. Please set forth the full reasoning of the interviewees on this topic.
- b. Please provide the interviewer notes on the topic discussed in (a).

RESPONSE:

Parts a-b: Please refer to USPS-LR-H-264, Transcripts #7 and #8.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES OF THE  
OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9415

OCA/USPS-T32-85. Please refer now to page 27 of the report where it is stated: "A representative from Bank 1 indicated that the bank was not interested in this type of product due to additional administrative burden for the bank to build in the cost of postage into the cost of their product..."

- a. Was Bank 1 in this context referring to implicit PRM? Please clarify.
- b. Would you characterize implicit PRM as defined in the report as substantially similar to both the PRM and QBRM proposals in this docket? If not, why not?
- c. Please set forth the full reasoning of Bank 1 on the quoted statement set forth above.
- d. Please provide the interviewer notes on the topic addressed in the above-quoted statement.

RESPONSE:

Part a: Bank 1 was referring to Implicit PRM [". . . to build in the cost of the postage into the cost of the product . . ."] and Explicit PRM [". . .or add a line item to their customers bills."].

Part b: Answered by witness Fronk.

Parts c-d: Please refer to USPS-LR-H-264, Transcript #4.



RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES OF THE  
OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9416

OCA/USPS-T32-87. Please refer to page 28 of the report under the heading "Current CRM users." It is stated: "Current CRM users were most concerned with the cost of implicit PRM." "The utility companies discussed the need to justify all of their costs to a regulatory board or commissioner. The components of these costs usually apply to all of their customers and, because it is not anticipated that PRM would be used by all customers . . . interviewees anticipate significant challenges charging everyone for something that only a select group will likely use."

- a. Please set forth the full reasoning of the interviewees on this topic.
- b. Please provide the Interviewer notes on the topic discussed in (a).

RESPONSE:

Parts a-b: Please refer to USPS-LR-H-264, Transcripts #7 and #8.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES OF THE  
OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9417

OCA/USPS-T32-88. Please refer to the report on page 28 where it is stated:  
"The banks and the security and Insurance companies indicated that they have  
already eliminated their annual fee because of competitive pressure, and there  
isn't really any room to add fees to the interest rate, which is also very  
competitive."

- a. Please set forth the full reasoning of the interviewees on this topic.
- b. Please provide the interviewer notes on the topic discussed in (a).

RESPONSE:

Parts a-b: Please refer to USPS-LR-H-264, Transcripts #4, #5, #6 and #9.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES OF THE  
OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9418

OCA/USPS-T32-89. Please refer to page 28 under the heading "Other concerns." There it is stated: "there was concern that the reduced rate may have an impact on the cost/quality of service for the mail that the businesses send to their customers or the quality of service currently received from USPS for incoming bill payments. The issue related to how USPS would introduce this product at a lower rate. Would USPS' costs be covered by better efficiencies or by increasing the cost of sending outbound mail or decreasing service to mailers? These interviewees were also concerned about the timing of the process, 'Will this slow the process down?' The publishing company viewed this as a current problem with BRM."

- a. Please comment on the validity of these concerns.
- b. Please set forth the full reasoning of the interviewees on these topics.
- c. Please provide the interviewer notes on these topics.

RESPONSE:

Part a: Answered by witness Fronk.

Parts b-c: Please refer to USPS-LR-H-264, Transcripts #1 and #6.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES OF THE  
OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9419

OCA/USPS-T32-97. At page 30 of the report the following is stated: "Overall, the CRM users indicated that even if this type of product was offered to their customers, it would probably not affect mail volume."

- a. Clarify what version of PRM Is being talked about here.
- b. If it is a type of PRM being proposed in this docket, please comment vis a vis your volume estimates.

RESPONSE:

Part a: The Implicit PRM is being talked about [See Section Heading:  
5.2.2 Anticipated Customer Reaction to the Implicit Variation of PRM].

Part b: Answered by witness Fronk.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES OF THE  
OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9420

OCA/USPS-T32-98. Please refer to Section 6.0 of the report, beginning at page 34. Current BRM and PRM users were asked to express their level of interest in the implicit variation of PRM at different price levels. See Exhibit 3.

- a. The report uses the phrase "fully loaded postage." Confirm that this term was explained to the interviewees to mean "that all fees (if any) are already included in the price." See Appendix B, page 3. If not confirmed, please explain.
- b. The questionnaire asked the interviewees to comment on implicit PRM at three fully loaded price levels: 32, 29 and 27 cents. Please quantify the fees interviewees would have been considering as part of the fully loaded price.
- c. Confirm that interviewees were being asked to react to these price levels vis a vis the current level of postage fees. If not confirmed, please explain.

RESPONSE:

Part a: The term "fully loaded postage" was explained to the current BRM user interviewees in order to differentiate between BRM and PRM [Please refer to USPS-LR-H-264, Transcripts #1, #2 and #3]. The term "fully loaded postage" was not explained to all the CRM user interviewees because the cost structure of the BRM was not an issue for many of the CRM users, as they did not use or had not looked into using BRM.

Part b: Answered by witness Fronk.

Part c: Interviewees were asked to react to the product concept and the proposed three levels of pricing. Please refer to the interview guides in Appendices A and B and USPS-LR-H-264.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES OF THE  
OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9421

OCA/USPS-T32-101. Please refer to page 23 of the report where there is a reference to "[t]he three businesses currently using BRM interviewed as part of this research . . . ." See also Exhibit 1, page 14, listing a utility company, a publishing company, and an executive business journal as the only three BRM users.

- a. Confirm that the report covered three BRM users. If not confirmed, please explain.
- b. Please now refer to Exhibit 3 at page 34, where apparently five interviewees are said to be current BRM users. Please reconcile these exhibits and statements.

RESPONSE:

Part a: It is confirmed that the report covered three (3) BRM users.

Part b: Revised tables for pages 34 and 36 of the report are being filed.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES OF THE  
OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9422

OCA/USPS-T32-102. Please refer to page 35 of the report where it is stated:  
"While these interviewees [current CRM users] indicated that reduced rates were positive if they could be passed along to their customers, the overall cost of introducing this product was viewed as prohibitive."

- a. Reconcile this statement with the projected volume estimates in your direct testimony.
- b. What costs would they have viewed as being prohibitive? Please quantify.
- c. Please comment on the validity of the interviewees' concerns.
- d. Please set forth the full reasoning of the interviewees on these topics.
- e. Please provide the interviewer notes on this topic.

RESPONSE:

Part a: Answered by witness Fronk.

Part b: All that is known about the respondent's reaction to costs is embodied in the interview transcripts. Please refer to USPS-LR-H-264.

Part c: The study did not evaluate the validity of the interviewees' concerns.

Please refer to USPS-LR-H-264, Transcripts #4 - #9.

Parts d-e: Please refer to USPS-LR-H-264, Transcripts #4 - #9.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES OF THE  
OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS FRONK

9423

OCA/USPS-T32-103. Please refer to Appendix A of the report, pages 3-4. The following questions were asked interviewees about implicit PRM. Question 8 asks, in part: "What barriers exist to your organization using this product?" Question 10 asks, in part: "What are you not interested in [sic] this version of the product?" Please provide the interviewer notes on the responses to these questions.

RESPONSE:

Please refer to USPS-LR-H-264.



RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES OF THE OFFICE  
OF THE CONSUMER ADVOCATE REDIRECTED FROM WITNESS FRONK

OCA/USPS-T32-109. Does the Postal Service currently provide some headquarters employees who address outgoing envelopes the equipment or software to produce single-piece barcodes? If not, please explain why not. If so, please specify the brand, model number and types of printers used to print the outgoing mail envelopes.

RESPONSE: Yes. Printers are generally Hewlett Packard laser jet printers, models 3si, 4si, and 5si. The Postal Service does not have records regarding the accuracy or readability of these barcodes.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES OF THE OFFICE  
OF THE CONSUMER ADVOCATE REDIRECTED FROM WITNESS FRONK

OCA/USPS-T32-110. Does the Postal Service currently provide some non-headquarters employees who address outgoing envelopes the equipment or software to produce single-piece barcodes? If not, please explain why not. If so, please specify the brand, model number and types of printers used to print the outgoing mail envelopes.

RESPONSE: Yes. The purchase of non-headquarters printers is decentralized, but these printers are generally laser.

OCA/USPS-T32-111. Witness Moden's redirected response to OCA/USPS-T32-51 indicates that "[g]enerally, courtesy reply envelopes meet the automation compatibility requirements . . ." Do the reply envelopes of mailers who supply courtesy reply envelopes and take automation discounts meet automation compatibility requirements? If not, please explain why the reply envelopes do not meet automation compatibility requirements, the volume that does not meet the requirements and what specific steps are taken to ensure future compliance.

RESPONSE: Reply envelopes enclosed in mailings claimed at automation rates must meet automation compatibility standards. All bulk mailings submitted at automation rates are verified to ensure that all enclosures meet all applicable mailing standards. Pieces claimed at automation rates that contain reply envelopes that do not meet automation standards may not claim automation rates unless specifically granted an exception by the Postal Service. These exceptions are granted in a limited number of cases and then only if the mailer meets specific guidelines which do not result in additional handling costs or a loss of revenue to the Postal Service.

The noncompliance must be minimal and the mailer must provide documentation to support the number of pieces affected, the time period in which the pieces will be deposited into the mailstream, and show that the mailing affects a limited delivery area.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES OF THE OFFICE  
OF THE CONSUMER ADVOCATE REDIRECTED FROM WITNESS FRONK

9427

OCA/USPS-T32-112. In Docket R97-1, what is the Postal Service's cost estimate for educating the public on the proposed \$0.01 rate increase for the First-Class letter rate? If no estimate has been prepared, please explain and describe the efforts the Postal Service plans to take to educate the public on the proposed \$0.01 rate increase for the First-Class letter rate.

RESPONSE: Please see response to OCA/USPS-T32-50.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES OF THE OFFICE  
OF THE CONSUMER ADVOCATE REDIRECTED FROM WITNESS FRONK

9428

OCA/USPS-T32-113. In Docket R97-1, what is the Postal Service's cost estimate for preventing household and public confusion concerning the proposed no change in the First-Class additional ounce rate? If no estimate has been prepared, please explain and describe the efforts the Postal Service plans to take to educate the public on the proposed no change in the First-Class additional ounce rate.

RESPONSE: The Postal Service does not anticipate that the public will be confused if the rate does not change. Also, please see response to OCA/USPS-T32-50.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES OF THE OFFICE  
OF THE CONSUMER ADVOCATE REDIRECTED FROM WITNESS FRONK

OCA/USPS-T32-114. Do Postal Service delivery employees ever leave short-paid mail in the residential mailbox of the addressee with a request to pay the postage due? If so, please indicate by fiscal year (FY 95 and FY 96) the amount of First-Class letter postage due that residential delivery clients failed to reimburse the Postal Service for. If you are unable to provide the information requested, please explain.

RESPONSE: Carriers do, on occasion, leave short-paid mail in the residential mailbox of the addressee with a request that the customer pay the postage due. However, this is not the Postal Service's policy. Carriers should sign acceptance of accountability for postage due items each day, and are expected to return either the required postage or the short-paid items at the end of the workday irrespective of whether customers have paid for the item. Thus, the Postal Service maintains no record of the extent to which carriers "prepay" customers' postage due, and no record of the amount of unpaid postage that results.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES OF THE OFFICE  
OF THE CONSUMER ADVOCATE REDIRECTED FROM WITNESS FRONK

OCA/USPS-T32-115. The following refers to your response to OCA/USPS-T32-21. Please explain why the Postal Service has not had a need to collect data on the volume of pre-paid pre-addressed envelopes that have been inappropriately entered into the Postal Service's mail stream by patrons who have altered the pre-printed address and used the envelope for purposes other than its original intent. Is the lack of information on the part of the Postal Service due to low or non-existent volume of such altered envelopes? If not, please explain.

RESPONSE: OCA/USPS-T32-21 asked about the inappropriate use of a particular Business Reply Mail piece shown in the attachment to that interrogatory. The Postal Service has not had a need to collect such data on a mailpiece by mailpiece basis.

OCA/USPS-T32-119. What is the cost of producing a single new stamp?

- a. Does the cost differ depending on whether or not it is expected that the stamp will be widely used (e.g., producing additional printing plates) or whether the stamp has an unusual shape (such as a triangular shape)? Please explain.
- b. How much did it cost to produce the recently issued Bugs Bunny stamp?
- c. Would the costs of (b) be different than producing a stamp intended for use as a CEM stamp (as CEM is defined in Docket No. MC95-1)?

RESPONSE: The cost of producing any stamp issue varies depending on the quantity of stamps printed, the printing process used (gravure, offset, offset/intaglio, intaglio), stamp format (pane, booklet, coil), and design. The average cost per thousand stamps in 1997 was \$3.25. This average includes all stamp formats and print processes.

(a) Volume is always one of the primary factors driving stamp production costs because we get volume discounts. It is less expensive on a cost per thousand basis to produce a large volume of stamps such as the Flag Over Porch self-adhesive coil of 100 (approximately 8 billion stamps at a cost of \$2.44 per thousand) than it is to produce a much lower volume such as the Yellow Rose self-adhesive coil of 100 (2 billion stamps at a cost of \$2.52 per thousand).

An unusual shape, such as a triangular shape, can add to the cost of stamp production because stamp printers have to prepare special die to perforate the stamps. For example, the Pacific 97 Stagecoach and Ship stamps cost \$9.01 per thousand due to the special requirements and the fact that it was a brand new technology. However, the higher cost per thousand for a unique format or one which requires new technology is generally offset by the higher revenue generated by stamp retention. For example, far more collectors, both casual and serious, will collect the Pacific 97 Stagecoach and Ship stamps than will collect the Flag Over Porch panes which are purchased primarily for use on mail.



RESPONSE to OCA/USPS-T32-119 (continued)

(b) A second example of an unique stamp issue this year was the Bugs Bunny souvenir sheet of 10. The stamp was extremely popular for two reasons - design and format. The printer used a unique technology to produce the sheet with the tenth stamp attached to a saver card. The saver card was designed to be removed from the other nine stamps and saved. For each card saved, one stamp never entered the mail stream. The higher cost of the Bugs Bunny stamp issue (\$14.88 per thousand stamps) was more than offset by the retention revenue the Postal Service received.

(c) Without knowing exactly what the hypothesized CEM stamp would look like, or what its design or format would be, it is hard to say. A special book of stamps which was accompanied by special instructions for use would be expected to cost more to produce than the typical booklet of stamps.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES OF THE  
OCA REDIRECTED FROM WITNESS FRONK

9433

OCA/USPS-T32-120. To what extent do foreign mail systems take steps (such as encoding stamps) to ensure that canceling machines detect underpayment of postage? Please discuss.

RESPONSE: The Postal Service is not aware of any foreign post office encoding stamps for revenue protection. However, some foreign administrations do encode stamps to distinguish levels of service or in-country and outbound service.

OCA/USPS-T32-121. Please describe the technology, including state of the art technology, that exists to ensure that canceling machines detect underpayment of postage.

RESPONSE: While expensive recognition equipment could be added to distinguish the denomination of stamps, the Postal Service would also need to add in-motion scales to determine the weight of the piece to assess underpayment. At the Postal Service's current processing speeds of over 30,000 pieces per hour, this is presently not within the state of the art.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES OF THE  
OCA REDIRECTED FROM WITNESS FRONK

9435

OCA/USPS-T32-122. Does the Postal Service use state of the art technology to ensure that canceling machines detect underpayment of postage? Please explain.

RESPONSE: Please see response to OCA/USPS-T32-121.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES OF THE  
OCA REDIRECTED FROM WITNESS FRONK

9436

OCA/USPS-T32-123. Would standardizing the size of stamps help ensure that canceling machines detect underpayment of postage? Please explain.

RESPONSE: This would be of marginal benefit. However, the Postal Service would still have to develop in-motion scales to weigh the pieces.

OCA/USPS-T32-124. Please refer to the response of Postal Service witness Moden to OCA/USPS-T32-38(a) and (c). Apparently, the Automated Facer Canceler System is "unable to identify if the precise level of postage is applied. The AFCS is able to identify that the mail has little or no postage applied because low denomination stamps do not have the phosphorescence coating."

- a. What denominations of stamps do not have phosphorescent coating?
- b. Why has the Postal Service not employed technology in its facer canceler equipment to ensure that postage is never short-paid?

RESPONSE:

- (a) Any denomination below 10 cents.
- (b) The technology is not within the state of the art and the recognition portion would be expensive. Even given the technology, the Postal Service is not convinced that such technology would be cost-effective.

OCA/USPS-T32-125. An article in the August 15, 1997, edition of the San Francisco Chronicle entitled "All Stamps Equal at Post Office" contained the following statement in reference to an alleged problem concerning the potential for short-paying of postage:

"This is not a big problem in America," said Dan De Miglio, a Postal Service spokesman in San Francisco. "No American sits home and, on purpose, puts 'short pay' on an envelope. Why would you take a chance on your mortgage payment not getting there on time? Overwhelmingly, Americans are honest people, and they're just not going to do that."

- a. Do the views of Mr. De Miglio represent the views of the Postal Service on the quoted material? Please discuss fully.
- b. Do you agree or disagree with Mr. De Miglio's statement? Discuss fully.

RESPONSE:

(a) The final sentence of the quote is consistent with the view of the Postal Service that the overwhelming majority of the mailing public is honest and is not likely to deliberately shortpay postage. The remainder of the quote would presumably reflect the views of Mr. De Miglio.

(b) Answered by witness Fronk.

RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES OF THE  
OCA REDIRECTED FROM WITNESS FRONK

OCA/USPS-T32-126. When the Postal Service adopts higher postage fees for First-Class Mail, what does it do to ensure that mailers are affixing the correct postage after the new rate goes into effect, other than make educational efforts? Please discuss.

RESPONSE: Please see responses to OCA/USPS-25 and 27.



OCA/USPS-T32-130. This question seeks to elicit the current views of the Postal Service as to the Courtesy Envelope Mail ("CEM") proposal from Docket No. MC95-1. Please refer not only to that docket but to the Decision of the Governors of the United States Postal Service on the Recommended Decisions of the Postal Rate Commission on Courtesy Envelope Mail and Bulk Parcel Post, Docket No. MC95-1 (March 4, 1996) ("CEM Decision").

- a. Please refer to the Governors' CEM objections that begin on page 3 of the CEM decision beginning with: "Nevertheless, we decline to accept the recommended establishment of a CEM rate category" and end with the final sentence preceding their discussion of Bulk Parcel Post. As to each of those objections, please discuss fully whether the Postal Service (speaking for itself, and not for the Governors) agrees with or disagrees with each of those objections.
- b. For each objection in (a) that the Postal Service agrees with, please supply all empirical information supporting the Postal Service position.
- c. If a party to this proceeding were to advance the CEM proposal again in its entirety (except as to the CEM rates that were proposed in Docket No. MC95-1), list all other objections the Postal Service would have to such a proposal that are not already contained in the direct testimony in this docket. For ease of response, you may refer to previous testimony offered by the Postal Service in other proceedings, such as Docket No. MC95-1. If previous testimony is referred to, please indicate with specificity the portions of the testimony that are being relied upon.
- d. As to each objection set forth in response to (c), please supply all empirical information supporting such objection.

RESPONSE:

(a)-(d) When the objections were published by the Governors in their decision, the Postal Service found them to be generally consistent with its views of the CEM proposal. The Postal Service, however, has not since analyzed the CEM proposal. As intervenor proposals are advanced in Docket No. R97-1, the Postal Service will analyze them and respond to them.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO OCA  
INTERROGATORIES REDIRECTED **IN PART** FROM WITNESS MAYES

OCA/USPS-T37-1. In Docket No. MC97-2, the Office of the Consumer Advocate ("OCA") submitted a number of interrogatories to which you provided replies. Please indicate the Postal Service's position as to whether the responses you gave to interrogatories 7, 8, 9, 27, 28, 29, 30, 31, 32, 33 in Docket No. MC97-2 are still valid. If not, please explain.

RESPONSE:

It is not clear what is meant by your use of the word "valid." Webster's Ninth New Collegiate Dictionary defines "valid" as "having legal efficacy or force, esp : executed with the proper legal authority and formalities." Ms. Mayes was authorized to testify on behalf of the Postal Service in Docket No. MC97-2 and is authorized to do so in this docket as well. Given that the Postal Service's Request in Docket No. MC97-2 was withdrawn by the Postal Service at the direction of the Board of Governors and the docket was closed by the Commission before any testimony or written cross-examination was entered into the record, the legal efficacy of those responses to discovery requests is unclear. Witness Mayes is available to respond to questions in this docket, including those which are the same as questions to which she responded in Docket No. MC97-2 (*see, e.g.,* UPS/USPS-T37-1 through UPS/USPS-T37-7), or which ask her to confirm by reference that her response to the question would still be the same. To the extent that your question may have intended to ask witness Mayes to confirm her previous responses, please see her response to this question.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO OCA  
INTERROGATORIES REDIRECTED FROM WITNESS MAYES

OCA/USPS-T37-2. United Parcel Service ("UPS") recently was subjected to a strike by its employees. UPS currently has a 130-inch combined girth limitation, as noted in your testimony at page 18. You state that

"[o]ver the years, many of our customers have indicated that, while few of their pieces exceed 108 inches in combined length and girth, when they do encounter some pieces exceeding the 108 inch limit, it is inconvenient for them to isolate those oversized pieces and ship them via another parcel delivery company. Thus, in response to our customer' requests, the Postal Service proposes to increase the maximum combined length and girth for Parcel Post from the existing 108 inches to 130 inches, comparable to that accepted by UPS."

- a. Has the strike affected the thinking of the Postal Service regarding the combined length and girth proposal? If so, please describe. If not, why not?
- b. Has the strike affected the thinking of the Postal Service regarding the ten percent restriction? If so, please describe. If not, why not?
- c. During the UPS strike was the Postal Service contacted by mailers who wished to use the Postal Service to ship parcels exceeding the Postal Service's current combined girth limitation? If so, please describe. Include in your description all quantitative information available, such as number of shippers, description of shippers (e.g., large mailers who run small businesses, individual consumers), volumes sought to be tendered, etc.

RESPONSE:

- a. The proposal of the Postal Service to raise the maximum combined length and girth to 130 inches for no more than ten percent of the parcels in a mailing remains the same. If anything, the influx of nonmachinable parcels during the short tenure of the UPS strike reinforced the experience that nonmachinables are more difficult to process efficiently. As for the Postal Service's intentions regarding this proposal, please refer to the response of witness Mayes to PSA/USPS-T37-1, reiterating her testimony:

*The Postal Service is not pursuing the oversize parcel market. Rather, as noted in my testimony at page 18, the desire is to make shipping more convenient for the customers already using the Postal Service who may have an occasional oversized piece. [Emphasis added.]*

- b. Please refer to the response to part a above.
- c. A canvass of operations, sales, and classification personnel with field contacts revealed no examples of customers requesting that the Postal Service accept parcels with combined length and girth exceeding the current limit of 108 inches during the UPS strike. There may have been isolated instances of customers making such requests of their local post offices, but there is no quantitative information available concerning the existence or number of such requests.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO OCA  
INTERROGATORIES REDIRECTED FROM WITNESS MAYES

OCA/USPS-T37-3. In Docket No. MC97-2, you responded to OCA interrogatories concerning the retention of the 70 pound per-piece weight limit. UPS accepts pieces weighing in excess of 70 pounds. We understand that Greyhound does also.

- a. Has the strike against UPS affected the thinking of the Postal Service regarding the 70 pound weight limit, e.g., has the Postal Service considered increasing the weight limit to compete with UPS and other carriers in higher weight classifications? If so, please describe. If not, why not?
- b. During the strike has the Postal Service been contacted by mailers of parcels exceeding the Postal Service's current 70 pound per-piece limit, wishing to use the services of the Postal Service? If so, please describe. Include in your description all quantitative information available, such as number of shippers, description of shippers, volumes sought to be tendered, etc.
- c. List all known competitors of the Postal Service for the carriage of parcels, and indicate the weight limits (including any related service restrictions on larger-sized parcels) they impose.

RESPONSE:

- a. No. The Postal Service is not proposing to increase the weight limit for parcels above the current 70 pounds. A gap which may have been created in the market for carriage of heavy parcels by the short-lived strike against UPS is not one that the Postal Service is currently positioned to fill, due to operational, market, and safety concerns. These concerns were explained in the responses to interrogatories OCA/USPS-T13-7 and OCA/USPS-T13-29 in Docket No. MC97-2. Please also refer to the response to part b below.
- b. A canvass of operations, sales, and classification personnel with field contacts revealed no examples of customers requesting that the Postal Service accept parcels exceeding the current weight limit of 70 pounds during the UPS strike. There may have been isolated instances of customers

making such requests of their local post offices, but there is no quantitative information available concerning the existence or number of such requests.

- c. *Please refer generally to the testimony of Gail Willette (OCA-T-200) in Docket No. MC93-1 in which she discusses the market structure for the carriage of parcels. The Postal Service does not attempt to maintain a list of carriers or their terms of service. Known national providers of non-expedited parcel delivery service are United Parcel Service and RPS; there are also numerous small local delivery companies and less-than-truckload freight delivery companies providing similar services. Inasmuch as United Parcel Service is a participant in this proceeding, you may find that directing a discovery request to it would provide you with more complete and up-to-date information about its weight limits and other service restrictions than any anecdotal information available to the Postal Service.*

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO OCA  
INTERROGATORIES REDIRECTED **IN PART** FROM WITNESS MAYES

OCA/USPS-T37-4. In Docket No. MC97-2, OCA submitted a number of interrogatories to you concerning discounts. These included interrogatories 12, 35, 36, and 37. Please indicate whether it is the position of the Postal Service that the responses you gave to interrogatories 12, 35, 36, and 37 in Docket No. MC97-2 are still valid. If not, please explain.

RESPONSE:

Please refer to the response of the Postal Service to OCA/USPS-T37-1.

OCA/USPS-T37-7. In response to OCA/USPS-T13-29(a) in Docket No. MC97-2, you stated: "I am aware of no time at which the Postal Service has considered raising the weight limit above 70 pounds. Each time of which I am aware that the question was raised, it was immediately dismissed. I am aware of no documents discussing such decisions."

- d. In your answers to OCA/USPS-T13-29(b), (c), (d) and (g) in Docket No. MC97-2, you stated a lack of familiarity with the issues. Please redirect these questions to the person in the Postal Service most qualified to respond to the questions indicated herein, or to the Postal Service for an institutional response.

RESPONSE:

- d. The information provided by witness Mayes in Docket No. MC97-2 in response to the interrogatory in question was obtained by consultation with the appropriate, responsible individuals, and would not have been different had it been supplied to the OCA by means of an institutional response.



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**Designated Responses of the  
United States Postal Service  
to PSA Interrogatories**

Response of United States Postal Service  
to Interrogatories of  
Parcel Shippers Association

9449

PSA/USPS-1

In the Postal Service's response to PSA/USPS-T-37-10(b), the Postal Service stated that TYAR coverage for parcel post, after subtracting the PRC's adjusted Alaska non-pref air costs, could not be calculated because, among other things, "...the rate design would change, the resulting after rates volumes would change, the resulting costs would change and the resulting Final Adjustments would change."

(a) Please explain why the act of subtracting attributed cost would necessarily have any effect on the rates proposed by the Postal Service for parcel post in this proceeding.

(b) Please supply the amount of intra-Alaska non-preferential air cost that, according to the Postal Rate Commission's "Alaska Adjustment" methodology, is not attributed to parcel post both TYBR and TYAR.

(c) After subtracting the costs provided in response to 1(b) from witness Patelunas' TYBR costs for parcel post, please supply the resultant cost coverage for parcel post TYBR.

(d) After subtracting the costs provided in response to 1(b) above from witness Patelunas' TYAR costs for parcel post, please supply the cost coverage for parcel post that would result from an implementation of the parcel post rates proposed in this proceeding.

PSA/USPS-1 Response:

(a) The impact of the "act of subtracting attributed costs" would depend on many factors, including the nature and magnitude of the costs subtracted. For example, if the costs were removed from the total volume variable cost base used in the rate design for Parcel Post, then, as illustration, line 1 of page 2 of workpaper WP I.I., "TYBR Total Volume Variable Costs, Including Contingency" would change, as would lines 3, 7, 9, 15, 27, and the final "Per Piece Rate Element" in line 28 which feeds into every rate cell in Parcel Post. Thus, all of the preliminary rates shown at workpaper WP I.K. could have been different.

PSA/USPS-1 Response continued:

The removal of the costs might have also caused a re-examination of the target cost coverage for the subclass, which would necessitate a change in the markup factor found at line 8, on the aforementioned workpaper. This markup factor was also applied to the unit transportation costs as they were incorporated into the rate design. Again, all of the preliminary rates shown at workpaper I.K. could have been different.

Depending on the size and nature of the costs removed from Parcel Post, as well as the decision regarding the appropriate cost coverage given such change in costs, it is possible that some or even none of the proposed rates would have changed. This is because so many of the rates were constrained by their relationships to Priority Mail rates or by the desire to mitigate rate shock or to prevent the reduction of rates in certain zones, as described in the testimony and oral cross-examination of Witness Mayes (USPS-T-37).

(b) Please see Attachment I to this response. All of the amounts shown in the attachment are taken from or calculated from amounts shown in Library Reference H-215 (revised). The adjustment calculation is the difference between column (6), the summation of columns (1)-(5), and the amount shown for Component 14:02 in column (7). The TYBR adjustment is 78,680 and for TYAR adjustment is 75,609.

(c) It is not correct to subtract this amount from Patelunas's TYBR costs for parcel post because the difference discussed in part (b) is the result of a different methodology. The parcel post costs, even before the adjustment for Alaska non-pref air costs, are different between the Postal Service's and the Commission's methodologies. Whatever cost coverage one wants to calculate in terms of the

Response of United States Postal Service  
to Interrogatories of  
Parcel Shippers Association

9451

PSA/USPS-1 Response continued:

Commission's cost model, the costs shown in part (b) from USPS LR-H-215 (revised) should be used.

(d) See the response to part (c); the same reasoning applies to the different methodologies in TYAR.

## USPS Library Reference H-215 Part II (revised)

## USPS-LR-H-215

Sec. 2 Page 15	Sec. 3 Page 15	Sec. 4 Page 15	Sec. 7 Page 15	Sec. 8 Page 15	Sum Cols. (1)..(5)	Sec. 9 Page 15	PRC Adj. Col(6)-col(7)
(1) FY97RCC 8,026 90,743	(2) CL -236 -2,668	(3) MV 392 4,432	(4) CR -17 -190	(5) OP 593 6,702	(6) TY98BR 8,758 99,019	(7)	(8) 78,680
Component 14:01 Component 14:02							
FY97RCC 8,026 90,743	CL -236 -2,668	MV 63 711	CR -16 -185	OP 580 6,552	TY98AR 8,417 95,153	19,544	75,609
Component 14:01 Component 14:02							

Response of United States Postal Service  
to Interrogatories of  
Parcel Shippers Association  
(Redirected from Witness Mayes, USPS-T-37)

9453

PSA/USPS-T37-10

Your response to PSA/USPS-T37-8 states that the Test Year Alaska non-preferential air costs are \$106,437,000.00 both before and after-rates.

(a) Would it be correct, in order to replicate the Commission-approved treatment of these Alaska non-preferential air costs, to subtract \$106,437,000.00 from the total parcel post costs as shown in the Test Year after-rates costs in witness Patelunas' testimony? If the response is anything other than an unqualified affirmative, please explain any qualification.

(b) Based on your response to this interrogatory, and your response to POIR 1(a) (2), that the calculation of the TYAR cost coverage, as shown at page 3 of WPI.I.C., uses as its base the total TYAR costs for Parcel Post with contingency, including intra-Alaska non-preferential air costs, please calculate and supply the TYAR cost coverage for parcel post after subtracting the \$106,437,000.00 of Alaska non-preferential air costs?

PSA/USPS-T37-10 Response:

(a) No, it would not be correct to merely subtract \$106,437,000.00 from the total parcel post costs as shown in the Test Year after-rates costs in witness Patelunas' testimony for two reasons. First, the Test Year costs in witness Patelunas's testimony are different from the Commission's R94-1 cost methodology to the degree that changes were introduced in the Postal Service's R97-1 filing. See the testimony of Witness Bradley, USPS-T-13, for Postal Service changes. Second, the Commission isolates the Intra-Alaska non-preferential component in its cost model and the Postal Service does not. In the Commission's cost model, the Intra-Alaska non-preferential component is rolled-forward independent of the rest of the domestic air costs and it also receives the Commission's "Alaska Adjustment" in the test year, resulting in a change in variability from 100% to 20.54%. See Docket No. MC96-3, PRC-LR-5, Postal Rate Commission, Cost Roll Forward Workpaper for Commission treatment.

Response of United States Postal Service  
to Interrogatories of  
Parcel Shippers Association  
(Redirected from Witness Mayes, USPS-T-37)

9454

PSA/USPS-T37-10 Response continued:

See Docket No. R97-1, USPS LR-H-196 (Second revision) and USPS-LR-H-215 (Revised) for the Postal Service's implementation of the Commission treatment.

(b) This calculation cannot be performed. First, as explained in part (a) above, it is not correct to simply subtract the \$106,437,000.00 from total TYAR parcel post costs. Even assuming however, that the \$106,437,000.00 is the proper amount to subtract, other factors would change and the impact is not known. For example, the rate design would change, the resulting after rates volumes would change, the resulting costs would change and the resulting Final Adjustments would change. As can be seen from this cascading effect, the ultimate cost coverage cannot be calculated.

**Designated Responses of the  
United States Postal Service  
to TW Interrogatories**



RESPONSE OF U.S. POSTAL SERVICE TO  
INTERROGATORIES OF TIME WARNER INC.

**TW/USPS-1.** Please refer to the Postal Service's answer to TW/USPS-T26-1b, which was redirected from witness Seckar.

a. Please confirm that your estimate that 75% of non-carrier route presorted periodicals flats are machinable refers to machinability on the FSM 881 machines. If not confirmed, please clarify what the estimate means and provide an estimate of periodicals flats machinability on the FSM 881's.

b. What percentage of (1) all periodicals mail pieces and (2) all regular rate periodicals mail pieces are newspapers?

c. What percentage of (1) all non-carrier route presorted periodicals mail pieces and (2) all non-carrier route presorted regular rate periodicals mail pieces are newspapers?

d. Does the Postal Service consider all periodicals mail pieces that are not newspapers to be machinable on FSM 881's? Please explain your answer.

e. Please confirm that for regular rate periodicals, 42% of the non-carrier route pieces were pre-barcoded in FY96, according to the billing determinants, and that your estimate of 75% machinability for the remaining 58% therefore means that 85.5% of non-carrier route presorted regular rate flats are machinable. If not confirmed, please explain and provide corrected numbers.

f. Which USPS witness is sponsoring LR-H-190?

**RESPONSE:**

a. Confirmed; according to LR-H-190, page 7, the percentage of Periodicals Regular Rate non-carrier route non-barcoded flats that are machinable on the FSM 881 is 75 percent.

b. The Postal Service has no information responsive to this request.

c. The Postal Service has no information responsive to this request.

d. No. Only pieces that meet the requirements outlined in Section C820 of the DMM are considered to be machinable on FSM 881s.

e. Confirmed; according to FY96 Billing Determinants, 42 percent of Periodicals Regular Rate non-carrier route flats were prebarcoded in

RESPONSE OF U.S. POSTAL SERVICE TO  
INTERROGATORIES OF TIME WARNER INC.

FY96, and 85.5 percent of Periodicals Regular Rate non-carrier route flats are machinable.

- f. See response to ABP/USPS-14.

RESPONSE OF U.S. POSTAL SERVICE TO  
INTERROGATORIES OF TIME WARNER INC.

**TW/USPS-2.** The Postal Inspection Service report named "Developmental Audit - Flat Sorting Machine 1000 (FSM 1000) Program" (December 1996), which is included in LR-H-236, states, at page 2:

"In most P&DC's, approximately 50% of all flat mail is not presorted to the carrier route by the customer and must be sorted by postal clerks. About 25% of this volume consists of flat mail which, because of its physical make-up, cannot be processed by today's FSM 881, and must be worked in a manual sorting operation."

- a. Does the Postal Service concur with the Inspection Service's estimate that about 25% of non-carrier route presorted flats are non-machinable on the FSM 881's? If no, please explain and provide the Postal Service's best estimate of flat non-machinability on the FSM 881's.
- b. Does the Postal Service believe that Periodicals flats have a higher percentage of machinability on FSM 881's than the average flat? If yes, what class or classes of flats are less machinable than Periodicals flats? If no, please reconcile your answer with LR-H-190 and your earlier response to TW/USPS-T26-1b.

**RESPONSE:**

- a. The Postal Service notes that the Postal Inspection Service report contained in LR-H-236 provides no source for the non-carrier route flats non-machinable figure of 25 percent. This figure is, moreover, consistent with the figure used in Docket No. MC95-1 (Exhibit USPS-T-110 p.8), the source of which was USPS LR-G-121 in Docket No. R94-1. Since that figure was presented, the Postal Service has acquired more recent information on Periodicals flats machinability. In this proceeding, the Postal Service has machinability figures for bulk-entered flats obtained through mail characteristics studies. LR-H-190 at page 7 contains Periodicals Regular machinability information; Docket No. MC96-2, LR-

RESPONSE OF U.S. POSTAL SERVICE TO  
INTERROGATORIES OF TIME WARNER INC.

- PRR-2, page 4 contains Periodicals Nonprofit machinability information; LR-H-105, pages 18 through 23 provide volumes from which Standard Mail (A) commercial machinability information can be calculated; LR-H-195, pages 18 through 23 provide volumes from which Standard Mail (A) nonprofit machinability information can be calculated; and LR-H-134, Section 1, page 27 summarizes the First-Class machinability information. The machinability factors from these studies can be used to show that approximately 14 percent of non-carrier route First-Class (non-single-piece), Periodicals, and Standard Mail (A) flats are non-machinable.
- b. Based upon the information provided in TW/USPS-T26-2(a), 85.73 percent of bulk-entered non-carrier route First-Class, Periodicals, and Standard Mail (A) flats are machinable. Periodicals (Regular and Nonprofit) have a machinability factor of 80.76 percent. These figures show that Periodicals (Regular and Nonprofit) flats are less machinable than the average across all bulk-entered flats. Further, using the machinability factors from all of the mail characteristics studies as identified in subpart (a) above, flats machinability factors similar to the 85.5 percent for Regular Periodicals discussed in TW/USPS-1(e) can be constructed. They are as follows: 57.3 percent for non-single piece First-Class, 61.3 percent for Periodicals Nonprofit, 88.2 percent for Standard Mail (A) commercial, and 93.5 percent for Standard Mail

RESPONSE OF U.S. POSTAL SERVICE TO  
INTERROGATORIES OF TIME WARNER INC.

9460

(A) nonprofit. Hence, machinability factors for Standard Mail (A) are higher than Periodicals factors.

RESPONSE OF U.S. POSTAL SERVICE TO  
INTERROGATORIES OF TIME WARNER INC.

**TW/USPS-3.** In his answer to TW/USPS-T26-1f, witness Seckar offers various explanations of why Periodicals flats today may have a higher degree of machinability than in the past, including the Postal Service's working closely with the mailers and the certification of poly-wrap materials.

a. Does the Postal Service concur with witness Seckar that there has been an improvement in Periodicals flat machinability? Please explain your answer.

b. Does the Postal Service believe that improvements in Periodicals flat machinability have been sufficient to upgrade the estimate of machinability on FSM 881's from the 75% used by witness Byrne in MC95-1 and the 57% used by witness Pham in MC91-1, to the 85.5% effectively assumed by witness Seckar in this case? Please explain your answer.

c. Please confirm that an improvement in machinability for Periodicals flats could, other factors being equal, be expected to lead to reduced costs of processing Periodicals mail. Please explain if not confirmed.

d. How much does the Postal Service estimate that the costs of processing Periodicals mail have been reduced as a consequence of improved machinability for Periodicals flats?

**RESPONSE:**

a. The Postal Service believes that the initiatives mentioned by witness Seckar in response to TW/USPS-T26-1(f) would have improved machinability for all flats, including Periodicals.

b. For a complete understanding of the Docket No. MC95-1 machinability factor of 75 percent, please refer to the response to TW/USPS-T26-1(e). For a complete understanding of the Docket No. MC91-1 factor of 57 percent, please refer to the response to TW/USPS-T26-1(f). Witness Seckar does not make any assumptions concerning the machinability

RESPONSE OF U.S. POSTAL SERVICE TO  
INTERROGATORIES OF TIME WARNER INC.

level of flats; rather, he relies upon the estimate provided in the

Periodicals mail characteristics study, LR-H-190.

As noted in subpart (a), the Postal Service believes that the efforts mentioned by witness Seckar in his response to TW/USPS-T26-1(f) have increased the number of overall machinable flats, including Periodicals.

The data referenced in subpart TW/USPS-2(a), however, do not reflect the Periodicals Regular 85 percent machinability rate.

- c. Confirmed.
- d. The Postal Service has not attempted to quantify any cost shifts as a result of changes in machinability levels of Periodicals mail.

RESPONSE OF U.S. POSTAL SERVICE TO  
INTERROGATORIES OF TIME WARNER INC.

9463

~~TW/USPS-T26-4~~4. The following table shows the FSM and manual flat sorting costs in MODS offices that, according to Table 5 in USPS-T-12, have been attributed to respectively First Class, Periodicals, Standard A and all mail based on the new USPS costing method. It also shows the percentage of the combined FSM and manual flat sorting costs that were incurred in manual sorting.

**BY96 FSM & Manual Flat Sorting Costs Per Class**

Class	FSM	Manual Flats	Percent Manual
First Class	389,271	188,801	32.66%
Periodicals	48,684	86,676	64.03%
Standard A	212,974	146,124	40.69%
All Mail	676,538	445,858	39.72%

a. Please confirm that the above table correctly reflects the attribution of FSM and manual flat sorting costs to various classes that the Postal Service proposes in this docket. If not confirmed, please provide corrections.

b. Please confirm that for Periodicals, 64% of their attributed flat sorting costs were manual sorting costs, versus only 32.7% for First Class and 40.7% for Standard A flats. Additionally, please describe all reasons known to the Postal Service that might explain this phenomenon.

c. Does the Postal Service believe that the much higher propensity of Periodicals flats to be sorted manually is caused by Periodicals flats being less machinable than other flats? Please explain your answer.

d. What percentage of First Class flats were pre-barcoded in FY96?

e. Please confirm that in FY96 non-carrier route Periodicals flats had a much higher degree of prebarcoding than First Class flats.

f. If 42% of Periodicals flats were pre-barcoded and thereby presumably also machinable, and if, as assumed by witness Seckar and confirmed in the Postal Service's response to TW/USPS-T26-1b, 75% of the remaining 58% were also FSM machinable, i.e. a total machinability of 85.5%, then how is it possible that Periodicals flats continue to be mostly sorted manually, to a much larger extent than other classes of flats? Please explain as completely as possible.

**RESPONSE:**

a. Confirmed.

b. Confirmed. There are several reasons. First, the majority of First-Class flats are non-presorted, and thus require more sorts per piece than either Periodicals or Standard A flats. Since FSM capacity is not constrained for



RESPONSE OF U.S. POSTAL SERVICE TO  
INTERROGATORIES OF TIME WARNER INC.

9464

outgoing schemes, a large proportion of outgoing sorts (which are primarily First-Class) take place on the FSM. A much higher proportion of non-carrier route Periodicals is made up to the 5-digit bundles than First-Class Mail, so a larger proportion of Periodicals sorts take place in incoming secondary schemes. FSM capacity is constrained for incoming secondary schemes, so a smaller proportion of incoming secondary sorts take place on the FSM. Moreover, the Periodicals service standard results in shorter processing windows for this mail, in contrast to the processing window for Standard A flats.

Second, with regard to Periodicals vs. Standard A flats processing on FSMs, Standard A may be more likely to receive such processing due to service concerns for Periodicals, a higher percentage of prebarcoding for Standard A, and greater machinability concerns and problems for Periodicals as discussed more fully below. In addition, it is not uncommon for Periodical mailers to prepare a 5-digit sack that contains one bundle of six (or fewer) flats to obtain better service. Accordingly, many of these pieces are routed directly to delivery offices for sortation to carrier route. Generally, it is more efficient to sort the few pieces that are contained in these "skin sacks" manually than to attempt processing them on the FSM.

RESPONSE OF U.S. POSTAL SERVICE TO  
INTERROGATORIES OF TIME WARNER INC.

In FY96 the percentage of prebarcoded Standard A flats, 57.8, is significantly higher than the percentage for Periodicals, which is 42.2.

Finally, regarding machinability and machinability concerns, a somewhat higher percentage of Standard A flats as compared to Periodicals flats are machinable as indicated in the response to TW/USPS-2(b) based on mail characteristics data.

- c. See the response to subpart b.
- d. About 2 percent of First-Class flats were prebarcoded. Please note that only an approximate 9 percent of First-Class flats were presorted in FY96.
- e. Confirmed.
- f. See the response to subpart b.

RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF TIME WARNER  
REDIRECTED FROM WITNESS MODEN

9466

TW/USPS-T4-18 Please refer to your answer to TW/USPS-T4-7H, which includes the filing, under protective conditions, of LR-H-22I, containing the Site META user's guide. You indicate that Site META was required for RCBS activation, is required for activation of new facilities and is used at local discretion to adjust local staffing.

a. For what types of new facilities is Site META required? Is it for example required for activation of each new station, branch and associate office? Is it required for each facility modification, for example when a facility adds an annex to provide additional capacity? Please explain.

b. How frequently does a typical, already activated, RCBS use Site META to adjust its staffing?

c. Besides the required use of Site META, how many facilities have used it on a discretionary basis? Of those that have used it on a discretionary basis, how many are (1) processing and distribution centers; (2) other SCF's; (3) BMC's; (4) associate offices; (5) stations and branches; and (6) other types of facilities? Please also indicate the typical frequency with which these facilities use Site META.

d. Among the facilities that have used Site META at least once on a discretionary basis, how many use it regularly? Of those that use it regularly, how many are (1) processing and distribution centers; (2) other SCF's; (3) BMC's; (4) associate offices; (5) stations and branches; and (6) other types of facilities? Please also indicate the typical frequency with which these facilities use Site META.

e. How many staffing positions has the Postal Service been able to (1) eliminate; or (2) avoid creating as a direct result of applying Site META? Please explain your answer. If you do not know the answer, please name the facilities you know of that were able to reduce staffing positions and how many positions were eliminated in each facility.

**Response:**

a. Site META is not required for the activation of stations, branches, or associate offices. It is not generally required for facility modifications.

b. Site META is an event driven model. Unless a major operational change occurs, the original Site META model is not normally updated.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF TIME WARNER  
REDIRECTED FROM WITNESS MODEN**

c. We are not aware of any HQ functional areas that requires reporting the discretionary use of Site META. We are only aware of two processing and distribution centers where recent discretionary Site META studies were performed.

d. We are not aware of any facilities that perform discretionary Site META studies on a regular basis.

e. There is no required reporting of the results of Site META studies.

RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF TIME WARNER  
REDIRECTED FROM WITNESS MODEN

9468

TW/USPS-T4-I9

a. Please confirm that Site META is described in LR-H-221 as having two types of scheduling programs, the "initial scheduler" and the "optimizer scheduler", the latter of which takes over six hours to run. Please also indicate which size problem, i.e. number of different operations, employees and tours, the six hour running time estimate refers to.

b. Does the required use of Site META, referred to in your response to TW/USPS-T4-7H, include use of the "optimizer scheduler"?

c. Among facilities that use Site META on a regular and discretionary basis, how many base their facility staffing schedule directly on output from the Site META "optimizer scheduler"? Of those, how many are (1) processing and distribution centers; (2) other SCF's; (3) BMC's; (4) associate offices; (5) stations and branches; and (6) other types of facilities?

d. The Site META "optimizer scheduler" is referred to LR-H-221 as reducing the idle time produced by the initial scheduler. According to the applications that have been made to actual data in real facilities, how much idle time is typically left after application of the "optimizer scheduler"?

Response:

a. Yes, there are two types of scheduling programs. The "optimizer scheduler" could require up to six hours to run when modeling a processing and distribution center having three operating shifts, several thousand employees, and up to 100 operations.

b. No.

c. No facilities base their staffing schedules directly on the output of the "optimizer scheduler."

d. This information is not available.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF TIME WARNER  
REDIRECTED FROM WITNESS MODEN**

TWI/USPS-T4-20

a. Does the Site META program determine staffing and hiring requirements that take into account (1) seasonal variations in mail volume; (2) sick leave and other absenteeism; or (3) projected attrition levels? If yes, please indicate where such features are described in LR-H-221 and refer to any illustration of output from such model features.

b. Does the Site META program produce staffing schedules that allow movement of individual employees from one operation to another as the processing requirements change during that employee's tour? If yes, please indicate where such features are described in, LR-H-221 and refer to any illustration of output from such model features.

c. Does the Site META program produce staffing schedules that tell individual clerks and mailhandlers what and where their work assignments will be during a given tour, week or longer period? If yes, please indicate where such features are described in LR-H-221 and refer to any illustration of output from such model features.

d. Does the Site META program allow live rescheduling and staffing adjustments during a given tour based on actual as opposed to projected work requirements? If yes, please indicate where such features are described in LR-H221 and refer to any illustration of output from such model features.

e. To the extent that your answers to parts a, b, c and d above are negative, please indicate whether the Postal Service has other computerized tools that perform the functions referred to, and provide a full documentation of such other tools. To the extent that your answers are affirmative, please describe the number of facilities, by facility type, that regularly use each feature.

f. How does the Site META program handle staffing at manual sorting operations with the "surge" at the end of Tour 3 and Tour I referred to in your testimony? If any output exists describing the application to this situation with real data, please provide it.

g. Does output from the Site META "optimizer scheduler" in your opinion either (1) predict, (2) explain; or (3) justify the sharply increased break-time, other "non-handling" or empty equipment costs revealed by the IOCS in recent years? Please explain your answer.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF TIME WARNER  
REDIRECTED FROM WITNESS MODEN**

9470

h. Could increased use of the Site META "optimizer scheduler" in your opinion help reduce the sharply increased break-time, other "non-handling" or empty equipment costs revealed by the IOCS in recent years? Please explain your answer.

**Response:**

a. The Site META model is for a discrete "average" week in an "average" Accounting Period. Impact of seasonal variation can be estimated by modeling selecting weeks higher or lower than "average." The model does not take into account sick leave or other absenteeism. The Site META model does not take into account projected attrition.

b. No, Site META does not identify or track individual employees.

c. No, Site META does not provide individual job assignments.

d. No, Site META is not a real time scheduling and staffing tool.

e. No.

f. Site META flows mail from initial distribution to downstream distribution operations, and estimates the workhours required in each processing time period. The model does not hold manual mail until the end of a Tour. We are not aware of any real output data based on the situation you have described.

g. Site META deals only with direct distribution operations. We have no data or experience which would allow us to answer this question.

h. Site META deals only with direct distribution operations. We have no data or experience which would allow us to answer this question.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO THE INTERROGATORIES OF TIME-WARNER  
REDIRECTED FROM WITNESS MODEN**

TW/USPS-T4-22 Please refer to the Postal Inspection Service report named National Coordination Audit - Allied Workhours (December 1996) that is included in LR-H-236. The report refers, in the executive summary and at pages 10-12, to Regional Instruction (RI 399) issues. It defines RI 399 as "an understanding between the Postal Service and the clerk and mail handler unions regarding specific allied labor assignments" (Page 1, Footnote 2).

a. Does RI 399 refer to agreements that may differ between one part of the country and another? If they are different, how many different RI 399 agreements are there?

b. What are the most typical "RI 399 issues? Do they, for example refer to what kind of work can be done by clerks and what can be done by mailhandlers? Do they refer to what can be done by casual and/or transitional employees? Please explain as fully as possible.

c. What kinds of restraints do RI 399 agreements place on management's ability to assign employees where they would be of most use at a given point in time? Please explain as fully as possible.

d. The report recommends, and USPS management appears to have concurred, that "a consistent approach toward RI 399 issues is needed to help minimize the impacts of local agreements on plant operations" (Page 11). Please explain what progress has been made in this area since the Inspection Service issued its report

e. Please provide copies of typical RI 399 agreements and, if possible, provide copies of all such current agreements.

**Response:**

a. There is only ONE agreement, the national RI 399 document. RI 399 stands for Regional Instruction 399, an agreement between the Postal Service, APWU and Mail Handlers, which summarizes by operation number certain functions and the primary craft normally associated with that function.



**RESPONSE OF UNITED STATES POSTAL SERVICE  
TO THE INTERROGATORIES OF TIME-WARNER  
REDIRECTED FROM WITNESS MODEN**

9472

- b. The most typical RI 399 issues revolve around the gray area that separates one pure operation that calls for one craft/union (e.g. clerk/APWU) from another (e.g. mail handlers/MHU) and the disputes that arise when an operation arguably contains some combination of the responsibilities that delineate the crafts. There are no mail handler transitional employees, but there are clerk transitional employees who can be involved in craft disputes the same as any other clerk. The craft status of casual employees is currently in arbitration.
- c. An important criterion of the RI 399 agreement is that the operations must be effective and efficient. Accordingly, primary craft assignments take the effective and efficient standard into consideration.
- d. The procedure that was agreed upon with the APWU and Mail Handlers Union was to set up RI 399 committees that provide for reviews by representatives at the local, regional, and national levels to try to determine, with some consistency and efficiency, what work belongs to which craft.
- e. A copy of the RI 399 agreement starts on page 167 of LR-H-253.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO THE INTERROGATORIES OF TIME-WARNER  
REDIRECTED FROM WITNESS MODEN**

9473

TW/USPS-T4-23 The Postal Inspection Service report "National Coordination Audit - Allied workhours" (December 1966), included in L.R-H-236, states, on page 19 in discussing problems with employees clocked into the wrong MODS operation:

"Supervisors had employees clock into a non-distribution operation at the beginning of their tour until the supervisor made individual work assignments."

It goes on to state:

"Employees used any timeclock and operation number that was convenient. In order to get 'on the clock' as soon as possible, employees used the first timeclock they came to when beginning their tour and returning from lunch. Clocking in on opening unit Operation number to get back on the clock inflated those workhours."

And it also states:

Employees did not know what operation numbers they should be using. Employees clocked into an opening unit and found working elsewhere were unable to identify the operation number which corresponded to where they were working. Some supervisors were also unable to identify which operation numbers the employees should use."

- a. Why is it important for an employee to get "on the clock" as soon as possible?
- b. Is an employee's pay affected by how soon he gets "on the clock"? If the answer differs depending on whether the employee is full-time, part-time, transitional or casual, or on whether or not he works more than eight hours that day, please provide different answers for each case.
- c. Please confirm that mail processing employees in MODS offices normally clock out when going to lunch and clock back in when they get back. If not confirmed, please explain.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO THE INTERROGATORIES OF TIME-WARNER  
REDIRECTED FROM WITNESS MODEN**

9474

d. What happens if an employee forgets to clock out before going to lunch? Will the MODS system assume that he went to lunch anyway? If yes, how long a lunch break will it assume that he took?

e. Is a given time-clock in a mail processing facility normally set to record one particular operation number? If yes, how easy is it to change that number and who is authorized to do so?

f. Can an employee use the clock at a 180 operation to clock into a 110 operation? If yes, what does he have to do?

g. In order to correctly record a move from one operation to another, does an employee have to first clock out, then in, or is it enough to clock into the new operation?

h. What does it mean to initiate a "move" to a given operation number?

i. What exactly does an employee do when he clocks in or out of an operation?

**Response:**

a. As described in b below, an employee's pay can be adversely impacted by failing to clock-in on time. An employee cannot, in general, make up missed time at the end of their tour.

b. An employee's pay could be impacted by the time they get on the clock.

Full time employee - They have a five minute leeway rule that allows an employee to receive 8 hours of pay if on the clock from 7.92 to 8.08. After 5 minutes they would be considered short in hours and would be required to take leave of some kind. If a full time employee was instructed to report for overtime on a nonscheduled day they would receive all hours on the clock as overtime. On a regular scheduled day any work hours in excess of 8.08 hours would be considered as overtime. If employees did not enter a clock ring into

**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO THE INTERROGATORIES OF TIME-WARNER  
REDIRECTED FROM WITNESS MODEN**

9475

the system, there may be some confusion as to when exactly the employee reported for duty.

Part time and transitional employee - Receive overtime in excess of 8 hours in a day, or 40 hours in a week. However, the rounding of 7.92 to 8.08 equaling eight hours does not apply to part time or transitional employees. They receive hours based on their actual clock rings.

Casual employees - Receive overtime only in excess of 40 hours per week. They do not receive any overtime for hours in excess of eight daily.

c. Confirmed.

d. If an employee forgets to enter an out to lunch and does take their lunch, the employee's time will continue to accumulate towards total hours for the day. If the employee enters a return from lunch and did not enter an out to lunch, it would place the employee in an error condition in which the supervisor must enter an out to lunch ring after the fact. If the employee neither clocked in nor out from/to lunch, the hours would accumulate to an extra 30 minutes for the day and the supervisor would enter appropriate rings after the fact.

e. The Employee Badge Reader (EBR) provides up to 15 preset operation numbers on one device. It is not common in Mail Processing to use just one operation on a device. These devices are quite costly and placed throughout the workroom floor. They are changed by the main facility device controller which is located in the time keeping office. A change also requires the labels on the face of the device to be changed.

f. The EBRs provide the flexibility of selecting an operation number from the 15 predefined buttons or entering the operation number using the keypad. The

**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO THE INTERROGATORIES OF TIME-WARNER  
REDIRECTED FROM WITNESS MODEN**

9476

employee would be required to enter in 110 using the 10 button keypad in the bottom right of the EBR. In order to use the keypad however, it must be turned on. It is controlled by the time keeping unit, the same as the predefined keys. If it is turned off, then the employee would be required to go to a device that has 110 predefined.

- g. In order for an employee to make a move, they must select the function MV on the EBR and then the operation number they are moving to. Then the employee would swipe their badge through a magnetic reader attached to the EBR.
- h. "Initiate a move" simply means to select and enter the move for the employee. This automatically stops calculation of the time on the old operation and begins to calculate time on the new operation.
- i. The employee, when they are instructed to clock into an operation, simply goes to the location where they are reporting and enters begin tour, move, or in from lunch, as appropriate, to begin charging time to the operation. Next, they select the operation they are reporting to. Then they simply swipe their employee badge which automatically starts the calculation of time on the operation as well as for the employee's payroll. To stop the accumulation of hours in an operation, they enter move, out to lunch, or end tour as appropriate. There are two different types of automated systems in MODS offices. One is the Postal Source Data Systems (PSDS) and the other is Electronic Time Clock System (ETC). In ETC, the employee has an operation already defined for them in the Employee Master File of the system. If the employee is reporting to their normal job, the employee only

**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO THE INTERROGATORIES OF TIME-WARNER  
REDIRECTED FROM WITNESS MODEN**

9477

needs to select the function and the system will automatically charge the hours to the employee's operation number that is contained in their master file. Any operation other than their base would require them to follow the procedures described above.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO THE INTERROGATORIES OF TIME-WARNER  
REDIRECTED FROM WITNESS MODEN**

9478

**TW/USPS-T4-24**

- a. Do BMC's use a time-clock system similar to that used in MODS offices? If no, what do they use to keep track of employee time?
- b. Do Non-MODS offices use a time-clock system similar to that used in MODS offices? If no, what do they use to keep track of employee time? If yes, what do they do with the recorded data?
- c. For how many hours will a (1) full-time; (2) part-time; (3) casual; and (4) transitional employee be paid on a given day if the time-clock indicates that he worked 8 hours and 15 minutes? What if it shows he worked 8 hours and 45 minutes? what if it shows 7 hours and 45 minutes?
- d. What is the minimum increment of time for which a mail processing employee is paid on a given day?

**Response:**

- a. Yes.
- b. Non-MODS offices, taken to mean Customer Service and Administrative in this context, would use either PSDS, ETC, or manual time cards to record daily clock rings. PSDS and ETC use plastic badges with the employees name and ID printed on the front. Those badges are swiped through an Employee Badge Reader (EBR) located throughout the building and the data is reported the same as a MODS office. Manual time card offices do not have any automation equipment to track time and attendance. They would use a preprinted form 1230 A/B/C and punch the appropriate time using a Cincinnati clock or write in the time on the back of the form. It allows up to four basic rings (Begin Tour, Out to Lunch, In from Lunch, and End Tour). No tracking of hours

**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO THE INTERROGATORIES OF TIME-WARNER  
REDIRECTED FROM WITNESS MODEN**

9479

against operation number is recorded on this card. The information is reported through administrative channels.

c. If the bargaining unit full time and part time employee was performing work for 8 hours and 15 minutes on a given day, they would receive 8 hours and 15 minutes of pay for those hours. 8 hours would be paid at the straight time rate and the 15 minutes would be paid at the overtime rate. If a casual employee worked for 8 hours and 15 they would also receive pay for 8 hours and 15 minutes. However, the rate of pay would be at the straight time rate provided that any portion of those hours did not cause the employee to exceed 40 hours of work for the week. The same would apply for the 8 hours and 45 minutes. In the case of the 7 hours and 45 minutes, the full time employee would have to take leave for the difference if the employee left prior to completing their eight hours of duty. If the supervisor told the employee to leave prior to the eight hour guarantee, the employee would receive the number of hours/hundredths necessary to bring them to 8 hours for the day. A part time and casual employee would receive exactly 7 hours and 45 minutes.

d. Actual pay would depend on the type of employee and the contract agreement/postal policy associated with that employee as indicated in c. The system will pay the employee as little as one hundredth of an hour (00.01) if that is all the employee is entitled to for the day.



**TW/USPS-T26-1.** Please refer to USPS-LR-H-134, Section 2, Page 8. Footnotes 2 and 3 on that page claim that 75% of non-barcoded periodicals mail is machinable and only 25% is non-machinable, referring to USPS-LR-H-105.

b. Please provide an exact reference to the part of USPS-LR-H-105 which gives the machinability percentage for non-barcoded periodicals. Please also provide a summary description of how you believe that estimate was obtained, and state whether it applies to letters, flats, or both.

**RESPONSE:**

b. The reference to USPS LR-H-105 is outdated. Errata were filed on August 14, 1997, showing the correct cite to be USPS LR-H-190. Researching this answer also uncovered what appears to be no more than a typographical error in USPS LR-H-190. Page seven incorrectly indicates that, "Across all presort levels, **74 percent** of all non-carrier route, nonbarcoded pieces are machinable," [emphasis added] when the correct figure -- which witness Seckar used (see USPS LR-H-134, section 2, page 8) -- is **75 percent**. An appropriate erratum to the library reference will be filed.

The machinability factor is flat-specific and obtained as follows. The non-Centralized Postage Payment portion of the survey records machinability for sampled containers. The Centralized Payment Portion classifies all newspapers as non-machinable, while other periodicals are classified as machinable. The data are segmented by machinability and inflated using the same methods described in the library reference.

**Designated Responses of the  
United States Postal Service  
to UPS Interrogatories**

## RESPONSE OF UNITED STATES POSTAL SERVICE TO UPS INTERROGATORIES

UPS/USPS-1. The requested classification schedule language for the proposed DDU discount classification requires that qualifying mail be entered at a designated destination delivery unit "or other equivalent facility," and the requested language for the proposed DSCF discount classification requires that qualifying mail be entered at a designated destination processing and distribution center or facility "or other equivalent facility."

- (a) What other types of facilities may qualify as an "other equivalent facility" (i) in the case of DDU mail and (ii) in the case of DSCF mail?
- (b) What standards or criteria will be used to determine if a facility is an "other equivalent facility" (i) in the case of DDU mail and (ii) in the case of DSCF mail?

## RESPONSE:

- (a) The reference to "equivalent facilities" was simply intended to convey that it is the presence of a qualifying operation in a facility at which a destination entry discount is offered, as opposed to a facility name alone, as well as transportation routing that would determine whether and what type of destination entry is available. For instance, if some carriers were physically located in a Processing and Distribution Center which qualifies as an SCF, mail destined for carrier routes emanating from that facility may qualify for DDU-entry discounts. Parcels entered at a multi-ZIP parcel depot in large urban areas in some locations may also qualify for DDU discounts.
- (b) With some possible minor exceptions, destination SCFs are listed in DMM L002 Column C. As explained in part (b) above, the availability of destination delivery unit discounts would depend upon the facility where delivery employees who deliver parcels are stationed.

## RESPONSE OF UNITED STATES POSTAL SERVICE TO UPS INTERROGATORIES

UPS/USPS-2. Please refer to page 3 of the March 10, 1997 issue of Postal World, attached hereto, and in particular to the reference to FASTNET on that page.

- (a) When did the Postal Service first begin accepting FASTNET Parcel Post shipments?
- (b) Provide the total revenue from inception to date, as well as the revenue for each fiscal year in which FASTNET has operated, obtained by the Postal Service from the FASTNET project.
- (c) Provide the total cost from inception to date, as well as the cost for each fiscal year during which FASTNET has been operated, for FASTNET shipments.
- (d) For each cost figure supplied in response to (c), above, provide a breakdown of the costs by cost segment, component, function, element, or by any other cost categorization available, to the lowest level of detail available
- (e) Provide the total volume of FASTNET pieces handled by the Postal Service (i) from inception of the project to date and (ii) separately for each fiscal year during which FASTNET has been operated.
- (f) In the case of each of the volume figures provided in response to (e), above, how much of the volume consists of parcels that were formerly carried by carriers other than the Postal Service?
- (g) Provide all rates charged at any time for FASTNET shipments, specifying when each set of such rates was in use.
- (h) Are the revenues for FASTNET supplied in response to (b), above, included in the revenues for Parcel Post for the respective fiscal years in which FASTNET has been operated? If not, why not?
- (i) Are the costs of FASTNET shipments supplied in response to (c), above, included in Parcel Post costs for the respective fiscal years in which those costs were incurred? If not, why not? If so, in what cost components, segments, functions, elements, or other cost categorizations are those costs found?
- (j) Are the volumes of FASTNET shipments supplied in response to (e), above, included in Parcel Post volumes for the respective fiscal years in which those volumes were handled? If not, why not?

RESPONSE:

The FASTNET program was discontinued on May 31, 1997.

- a. The initial test phase of FASTNET began in Orlando, Florida, in April of 1994.

- b. No separate estimate or measure of total revenues from FASTNET from inception to date is available. Revenues from FASTNET for FY 1995 and FY 1996 were estimated by the program managers to be approximately \$850,000 and \$2,750,000, respectively.
- c. This information is not available. The costs incurred by the Postal Service in handling FASTNET parcels are included in the costs of Parcel Post (with the one exception noted in part (g)) and cannot be separately estimated.
- d. This information is not available. See response to part (c).
- e. FASTNET volume was measured at 21,933 pieces in FY 1994; 312,913 pieces in FY 1995; 1,127,640 pieces in FY 1996; and 153,666 through AP 1 of FY 1997.
- f. As of November of 1995, the program manager estimated that approximately 85 percent of FASTNET volume had been "new business" to the Postal Service, primarily shifted from carriers other than the Postal Service.
- g. FASTNET parcels were charged the applicable Parcel Post rates, usually those for the intra-BMC local zone or zones 1 & 2, since FASTNET involved delivery only within a metropolitan area. There is one known exception to this in the case of a library sending FASTNET parcels that were charged at the appropriate Library rates.
- h. Revenues for FASTNET are included in the revenues for Parcel Post, with the one exception noted in part (g).

- i. See response to part (c).
- j. Volumes of FASTNET are included in the volumes for Parcel Post, with the one exception noted in part (g).

Answer of United States Postal Service to the Interrogatories of  
United Parcel Service  
to United States Postal Service

UPS/USPS-4. Please provide for each year FY 1991 up to and including FY 1996 the amount of cost spent in advertising Priority Mail.

UPS/USPS-4 Response:

See Attachment I to this response.

## ADVERTISING COSTS

Ln.#	F.Yr.	1998	1997	1996	1995	1994	1993	1992	1991
		Estim.	Estim.	Actual	Actual	Actual	Actual	Actual	Actual
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1		64,312	65,677	50,704	16,179	19,200	23,226	6,421	2,837
Express Mail	2	0	0	0	12,421	20,200	31,025	23,077	23,964
Parcel Post	3	0	0	0	4,301	4,000	1,031	0	0
International mail	4	17,473	17,844	13,776	6,312	7,600	5,816	7,500	0

## Sources:

Columns 1-2: Docket No. R97-1: USPS LR-H-215

FY 98: Part 3 of 3, fy98rcam.a, page 18, column 16:15

FY 97: Part 1 of 3, fy97rcm.a, page 18, column 16:15

Columns 3-8: Cost Segments and Components reports on file at the Postal Rate Commission:

FY 96: Cost Segment 16, pages 51-52, column "Advertising (16.3.5)";

FY 95: Cost Segment 16, pages 51-52, column "Advertising (16.3.5)";

FY 94: Cost Segment 20, pages 65-66, column "Other Expenses &amp; Credits (20.7)";

FY 93: Cost Segment 20, pages 65-66, column "Other Expenses &amp; Credits (20.7)";

FY 92: Cost Segment 20, pages 61-62, column "Other Accrued Exp &amp; Reimburs";

FY 91: Cost Segment 20, pages 77-78, column "Other Accrued Exp &amp; Reimburs";



Answer of United States Postal Service to the Interrogatories of  
United Parcel Service  
to United States Postal Service

9488

UPS/USPS-5. Please provide for FY 1997 and, separately, for FY 1998 the estimated amount of cost spent and to be spent in advertising Priority Mail.

UPS/USPS-5 Response:

The calculation of total advertising cost change factors for FY 1997 and FY 1998 is presented in the testimony of witness Tayman, USPS-T-9. These factors are used in the rollforward model to calculate the estimated total advertising costs for FY 1997 and FY 1998. In the Postal Service rollforward model, advertising costs are treated as "Other" costs and not explicitly identified with any particular class of mail. In the Commission rollforward model, advertising costs are not treated as "Other" costs and as such, they are identified with particular classes of mail. See USPS LR-H-215.

Answer of United States Postal Service to the Interrogatories of  
United Parcel Service  
to United States Postal Service

. 9489

UPS/USPS-6. Please provide for each year FY 1991 up to and including FY 1996 the amount of cost spent in advertising Express Mail.

UPS/USPS-6 Response:

See Attachment I to response to UPS/USPS-4.

Answer of United States Postal Service to the Interrogatories of  
United Parcel Service  
to United States Postal Service

9490

UPS/USPS-7. Please provide for FY 1997 and, separately, for FY 1998 the estimated amount of cost spent and to be spent in advertising Express Mail.

UPS/USPS-7 Response:

The calculation of total advertising cost change factors for FY 1997 and FY 1998 is presented in the testimony of witness Tayman, USPS-T-9. These factors are used in the rollforward model to calculate the estimated total advertising costs for FY 1997 and FY 1998. In the Postal Service rollforward model, advertising costs are treated as "Other" costs and not explicitly identified with any particular class of mail. In the Commission rollforward model, advertising costs are not treated as "Other" costs and as such, they are identified with particular classes of mail. See USPS LR-H-215.

**Answer of United States Postal Service to the Interrogatories of  
United Parcel Service  
to United States Postal Service**

9491

**UPS/USPS-8. Please provide for each year FY 1991 up to and including FY 1996 the amount of cost spent in advertising Parcel Post.**

**UPS/USPS-8 Response:**

**See Attachment I to response to UPS/USPS-4.**

Answer of United States Postal Service to the Interrogatories of  
United Parcel Service  
to United States Postal Service

9492

UPS/USPS-9. Please provide for FY 1997 and, separately, for FY 1998 the *estimated amount of cost spent and to be spent in advertising Parcel Post.*

UPS/USPS-9 Response:

The calculation of total advertising cost change factors for FY 1997 and FY 1998 is presented in the testimony of witness Tayman, USPS-T-9. These factors are used in the rollforward model to calculate the estimated total advertising costs for FY 1997 and FY 1998. In the Postal Service rollforward model, advertising costs are treated as "Other" costs and not explicitly identified with any particular class of mail. In the Commission rollforward model, advertising costs are not treated as "Other" costs and as such, they are identified with particular classes of mail. See USPS LR-H-215.

**Answer of United States Postal Service to the Interrogatories of  
United Parcel Service  
to United States Postal Service**

**UPS/USPS-10. Please provide for each year FY 1991 up to and including FY 1996 the amount of cost spent in advertising parcel services generally.**

**UPS/USPS-10 Response:**

**Not available.**

Answer of United States Postal Service to the Interrogatories of  
United Parcel Service  
to United States Postal Service

9494

UPS/USPS-11. Please provide for FY 1997 and, separately, for FY 1998 the estimated amount of cost spent and to be spent in advertising parcel services generally.

UPS/USPS-11 Response:

Not available.

**Answer of United States Postal Service to the Interrogatories of  
United Parcel Service  
to United States Postal Service**

9495

**UPS/USPS-12. Please provide for each year FY 1991 up to and including FY 1996 the amount of cost spent in advertising International Mail generally.**

**UPS/USPS-12 Response:**

**See Attachment I to response to UPS/USPS-4.**



Answer of United States Postal Service to the Interrogatories of  
United Parcel Service  
to United States Postal Service

9496

UPS/USPS-13. Please provide for FY 1997 and, separately, for FY 1998 the estimated amount of cost spent and to be spent in advertising International Mail generally.

UPS/USPS-13 Response:

The calculation of total advertising cost change factors for FY 1997 and FY 1998 is presented in the testimony of witness Tayman, USPS-T-9.

These factors are used in the rollforward model to calculate the estimated total advertising costs for FY 1997 and FY 1998. In the Postal Service rollforward model, advertising costs are treated as "Other" costs and not explicitly identified with any particular class of mail. In the Commission rollforward model, advertising costs are not treated as "Other" costs and as such, they are identified with particular classes of mail. See USPS LR-H-215.

**UPS/USPS-14.** List all postal data systems which collect information regarding:

- (a) Express Mail volume:
  - (i) by weight;
  - (ii) by shape; or
  - (iii) by weight and shape;
- (b) Priority Mail volume:
  - (i) by weight;
  - (ii) by shape; or
  - (iii) by weight and shape;
- (c) Standard Mail (B) volume:
  - (i) by weight;
  - (ii) by shape; or
  - (iii) by weight and shape;
  - (iv) by subclass (i.e., Parcel Post, Bound Printed Matter, etc.) and
    - (a) by weight;
    - (b) by shape; or
    - (c) by weight and shape; and
  - (v) by rate category (i.e., Inter-BMC Parcel Post, Intra-BMC Parcel Post, etc.) and
    - (a) by weight;
    - (b) by shape; or
    - (c) by weight and shape.

RESPONSE:

- (a) (i) Express Mail Reporting System (EMRS);
  - (ii) none;
  - (iii) none;
- (b) (i) Revenue, Pieces and Weight (RPW) System and PERMIT System;
  - (ii) Origin-Destination Information System (ODIS) and PERMIT System;
  - (iii) PERMIT System;

- (c) (i) PERMIT and RPW Systems;
- (ii) PERMIT System and ODIS;
- (iii) PERMIT System;
- (iv) (a) PERMIT and RPW Systems;
- (b) PERMIT System and ODIS;
- (c) PERMIT System;
- (v) (a) PERMIT and RPW Systems;
- (b) PERMIT System;
- (c) PERMIT System.

ANSWERS OF THE UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF THE UNITED PARCEL SERVICE

9499

**UPS/USPS-15.** Please list all publications, manuals, and handbooks that list or describe Postal Service (a) operations, and (b) data systems.

RESPONSE: (a)-(b) Operations publications, manuals and handbooks are listed in the United States Postal Service Directives and Forms Catalog, Publication 223, available in the Postal Service Library, and a copy of which is being filed today with the Postal Rate Commission as Library Reference USPS-H-231. The testimonies of witnesses Pafford (USPS-T-1), Nieto (USPS-T-2), Harahush (USPS-T-3) and Degen (USPS-T-12) provide similar references for the data systems.

Response of United States Postal Service  
to  
Interrogatories of UPS

UPS/USPS-18. Please refer to the response to Interrogatory UPS/USPS-T14-4(a).

- (a) In the MODS data system, is any information collected for different mail shapes? If so, specify all information collected on the basis of the different shapes of mail.
- (b) In the PIRS data system, is any information collected for different mail shapes? If so, specify all information that is collected on the basis of the different shapes of mail.

UPS/USPS-18 Response:

- (a) In MODS, information is collected for different mail shapes through the use of MODS distribution operation numbers. MODS distribution operation numbers are designated as letter, flat, or parcel operations. MODS information collected for these operations include work hours and piece handlings.
- (b) In PIRS, data is collected on parcels in the various BMC parcel operation (Parcel Sorting Machine, Non-Machinable Outsides, and Irregular Parcel Post). For letters and flats, trays are recorded for the BBM Letter Tray and BBM Flat Tray operations. Hours are also recorded for these operations.

Response of United States Postal Service  
to  
Interrogatories of UPS

UPS/USPS-19. Please refer to the response to Interrogatory UPS/USPS-T14-4(e), which states that MODS and PIRS data are reviewed at headquarters and that anomalous values are identified and reported to the individual facilities involved "for appropriate resolution." When anomalous values are identified, are those values ever changed for purposes of MODS data, or is the anomalous data edited or changed in any way after it is identified and reported to the individual facilities?

UPS/USPS-19 Response:

Anomalous values in MODS and PIRS data may be identified by headquarters, areas, districts or individual facilities. Anomalous values in the data would be resolved through the adjustment processes for either work hours or volumes . See M-32, at section 431.1

Response of United States Postal Service  
to  
Interrogatories of UPS

UPS/USPS-20. Please refer to the response to Interrogatory UPS/USPS-T14-10.

- (a) Please identify the "additional locations" that reported MODS data during the base year.
- (b) Are the criteria used by district and area management along with operations support personnel at headquarters for purposes of deciding whether to designate additional locations for inclusion in MODS set forth in writing? If so, please produce all such criteria. If not, please indicate the nature of the factors considered in making the decision whether to designate additional locations for inclusion in MODS.

UPS/USPS-20. Response:

- (a) Please see the response to TW/USPS-T12-17 for a listing of MODS locations by type.
- (b) The criteria used by district and area management along with operations support personnel at headquarters for purposes of deciding whether to designate additional locations in MODS are not set forth in writing. The nature of the factors considered in making the decision to designate an additional location for inclusion in MODS would be base primarily on available data reporting technology and the existence of other MODS locations. For example, if a delivery unit were located within the same building as a Processing and Distribution Center, the delivery unit may be designated as a MODS location because the additional location may use the same data reporting technology as the Processing and Distribution Center.

UPS/USPS-21 (b) The response states that in the Postal Service's rollforward model, "advertising costs are treated as 'Other' costs and not explicitly identified with any particular class of mail " (emphasis added). Please provide, separately for Priority Mail, Express Mail, Parcel Post, and International Mail, those advertising costs that are included in the "Other" costs in the Postal Service's rollforward model (i) for FY 1997 and (ii) for FY 1998.

UPS/USPS-21 (b) Response:

There has been no change in the Postal Service's rollforward model concerning the treatment of advertising costs. In Docket No. R97-1, as in previous dockets, there is a single amount for advertising that is "rolled-forward" using the appropriate factors provided in the testimony of the revenue requirement witness. See Witness Tayman, USPS-T-9. For each outyear, this single amount for advertising is distributed to the classes of mail based on the advertising component distribution in the base year. In previous Postal Service presentations, the base year advertising total amount was distributed to classes of mail and each rollforward year followed the same pattern. In the Postal Service's Docket No. R97-1 presentation, the base year advertising total amount is included in the "Other" cost line; hence, the rollforward follows the same pattern and includes the total advertising amount in the "Other" cost line. There is no class specific advertising cost development beyond the base year.

As stated in the response to UPS/USPS-5, the Commission rollforward model shows the advertising costs as identified with particular classes of mail.



Answer of United States Postal Service to the Interrogatories of  
United Parcel Service  
to United States Postal Service

9504

See USPS LR-H-215. This is the methodology described above for previous  
Postal Service presentations.

RESPONSE OF UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF UNITED PARCEL SERVICE

**UPS/USPS-22.** Please refer to the response to interrogatory UPS/USPS-T-15-5 (redirected from Patelunas). Please describe whether and how different classes and/or subclasses of mail are or might be affected differently by the use of postal packs, and describe how the Postal Service has measured the cost effects described.

RESPONSE:

A special study would be needed to provide this information; no such study has been conducted.

RESPONSE OF THE U.S. POSTAL SERVICE TO INTERROGATORIES  
OF UNITED PARCEL SERVICE

**UPS/USPS-23.** Please indicate where in the filed testimony, workpapers, exhibits, and other supporting materials the costs of purchasing postal packs are reflected in test year costs, and identify the cost segment and component in which these costs are included. If postal packs are not specifically reflected and identified in the test year, please explain why.

**RESPONSE:**

The cost of postal packs is included in general ledger account 52106, component 184 (16.3.2), cost segment 16, along with other operating equipment and supplies. Actual costs for account 52106 and component 184 can be found on page 133 of LR H-9 and in Table A-1 in LR H-1. The estimated cost of component 184 (16.3.2) in the outyears can be found in the Witness Patelunas's exhibits USPS-15B (Fiscal Year 1997), USPS-15E (Test Year 1998 Before Rates) and USPS-15H (Test Year 1998 After Rates). The cost of postal packs is not specifically identified because Postal Service accounting records do not account for these costs separately.

RESPONSE OF UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF UNITED PARCEL SERVICE

**UPS/USPS-24.** Please indicate whether, and in what proportion, the trays and sacks in postal packs contain parcels or other shapes of mail.

RESPONSE:

Postal Paks are used to transport trays, sacks, parcels, and other shapes of mail.

Generally, Postal Paks that contain trays and sacks do not contain parcels or other shapes of mail. We do not have data to indicate the proportion of contents in postal packs.

RESPONSE OF THE U.S. POSTAL SERVICE TO INTERROGATORIES  
OF UNITED PARCEL SERVICE

**UPS/USPS-25.** Please indicate where in the filed testimony, workpapers, exhibits, and other supporting materials the costs of IMHS are reflected in test year costs, and identify the cost segment and component in which these costs are included. If IMHS costs and cost savings are not specifically reflected and identified in the test year, please explain why.

**RESPONSE:**

The costs and savings of IMHS are included in several general ledger accounts, cost components, and cost segments along with other costs. The most significant costs associated with IMHS include equipment depreciation (general ledger account 54330, component 232, cost segment 20), and trays, pallets and other containers (general ledger account 52106, cost segment 16, component 184). The most significant savings are the personnel costs of mail handlers (cost segment 3). Actual costs for these segments and components can be found in LR H-9 and H-1. The estimated cost changes for FY 97 and the test year associated with programs which include IMHS can be found in Exhibits A-C of Library Reference H-10 and Chapter V, Sections a. and b. of Library Reference H-12. The estimated costs associated with programs which include IMHS can also be found in Witness Patelunas's exhibits USPS-15B (Fiscal Year 1997), USPS-15E (Test Year 1998 Before Rates) and USPS-15H (Test Year 1998 After Rates). The total cost of IMHS is not specifically identified because Postal Service accounting records do not account for these costs separately.

RESPONSE OF THE U.S. POSTAL SERVICE TO INTERROGATORIES  
OF UNITED PARCEL SERVICE

**UPS/USPS-26** Please describe how IMHS costs and cost savings are (a) calculated, and (b) allocated to classes and subclasses of mail.

**RESPONSE:**

(a) Please see my response to UPS/USPS-25. IMHS cost changes are calculated by the program manager as described on pages 3,4,8 and 9 of Library Reference H-10.

(b) To understand how IMHS costs and cost savings are distributed to classes of mail, please refer to the following sources:

1. Docket No. R94-1, USPS Library Reference G-5, Costs and Revenue/Roll Forward, Listings of Programs, Job Control Language, and Command Procedures,
2. Docket No. R97-1, Library Reference H-5, and
3. the testimony of Witness Patelunas, USPS-T-15, page 13 and for mail processing specific treatment, Appendix A .

**UPS/USPS-27.** Please explain whether and in what manner IOCS and other Postal Service Data Collectors will perform data collection in the Priority Mail facilities operated pursuant to the PMPC contract.

RESPONSE:

The Postal Service has not determined whether and how this will take place.

RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF UNITED PARCEL SERVICE

9511

**UPS/USPS-28.** Please explain what data will be collected by the Postal Service or other personnel regarding the quantity, shape, item/container type, or other mail characteristics for mail handled at facilities operated pursuant to the PMPC contract.

**RESPONSE:**

The Postal Service has not determined whether and how this will take place.



RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF UNITED PARCEL SERVICE

9512

**UPS/USPS-29.** Please explain what data will be collected by the Postal Service or other personnel that will be available or used for determining costs and rates for mail handled at facilities operated pursuant to the PMPC contract.

RESPONSE:

This has not yet been determined.

RESPONSE OF UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF UNITED PARCEL SERVICE

9513

**UPS/USPS-30.** Please indicate whether the mail processing flow for Priority Mail at the Capital Beltway Facility is typical of the mail processing flow at analogous facilities. If the mail processing flow for Priority Mail at the Capital Beltway facility is other than typical, please indicate how is atypical and what the typical mail processing flow(s) for Priority Mail processing are at similar facilities.

**Response:**

The Capital Beltway Facility is a HASP (see UPS/USPS-33 for a definition).

Accordingly, the mail processing flow for Priority Mail at that facility in general is typical of the mail processing flow at other HASPs. However, this is not to say that every minute detail of the processing flow at the Capital Beltway facility is mirrored at other HASPs.

RESPONSE OF UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF UNITED PARCEL SERVICE

9514

**UPS/USPS-31.** Please confirm that some quantity of Priority Mail is now handled in flat trays by the Postal Service. If not confirmed, please explain. If confirmed, please indicate why and by what process (e.g., manually, flat sorting machine, etc.) mail is placed into flat trays. Please also indicate whether the use of flat trays for Priority Mail is expected to increase or decline, and the reasons why their use is expected to change.

**Response:**

Confirmed. Some customers use flat trays to courier Priority Mail envelopes between their location and the Post Office. Accordingly, Priority Mail is handled in flat trays by the Postal Service. These trays are dumped and the Priority pieces are then sorted into sacks. However, Priority Mail is generally containerized and dispatched in pouches and there are no future plans to increase and/or decrease the usage of flat trays for Priority Mail.

**UPS/USPS-32.**

- (a) Please indicate whether Priority Mail has been, or is currently processed on flat sorting machines.
- (b) Please provide or estimate the volume or proportion of Priority Mail processed on flat sorting machines in the Base Year, Test Year, or any other year in which Priority Mail has been processed on flat sorting machines.
- (c) Please identify the number and type of facilities at which Priority Mail has been processed, or is currently processed on flat sorting machines.

**Response:**

- a. Generally, identified Priority Mail is not processed on flat sorting machines.
- b. The information is not available.
- c. As mentioned in (a), sites generally refrain from processing Priority Mail on flat sorting machines. Accordingly, it is impossible to identify the number and type of facilities at which Priority Mail has been processed or is currently processed on flat sorting machines.

RESPONSE OF UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF UNITED PARCEL SERVICE

9516

**UPS/USPS-33.** Please explain what a "HASP" facility is and how it fits into the Postal Service's mail processing and transportation network.

**Response:**

HASP is an acronym for Hub and Spoke Project. A HASP is designed to centralize mail transfer locations by grouping ZIP code ranges for mail bearing two- and three-day delivery commitments from many cities in the eastern US. The mail is sorted into First-Class Mail and Priority Mail containers and dispatched via surface transportation to the appropriate HASP, Area Distribution Center (ADC), or SCF. A HASP concentrates the volume of mail for a particular destination which results in more effective utilization of transportation and improved service.

RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF UNITED PARCEL SERVICE

9517

**UPS/USPS-34.** Please refer to your response to UPS/USPS-14(b). Please indicate whether the PERMIT system collects data for all Priority Mail volume, or for a subset of Priority Mail volume. If the answer is anything other than all Priority Mail volume, please indicate what determines whether the PERMIT system will record data regarding Priority Mail.

RESPONSE:

The PERMIT System collects data for a subset of Priority Mail; Bulk Permit Imprint and Bulk Metered with Postage Affixed. What determines whether the PERMIT System will record such data is the submission of mailing statements PS Form 3605-R and PS Form 3605-P.

RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF UNITED PARCEL SERVICE

9518

**UPS/USPS-35.** Please refer to your response to UPS/USPS-14(b). Please indicate whether the ODIS system collects data for all Priority Mail volume, or for a subset of Priority Mail volume. If the answer is anything other than all Priority Mail volume, please indicate what determines whether the ODIS system will record data regarding Priority Mail.

RESPONSE:

The ODIS system collects data for all Priority Mail volume.

RESPONSE OF UNITED STATES POSTAL SERVICE TO  
INTERROGATORIES OF UNITED PARCEL SERVICE

**UPS/USPS-36.** With reference to the Postal Service's response to Presiding Officer's Information Request No. 1.a.(1), please provide the following:

- (a) an explanation of how the average cost per cubic foot mile was calculated.
- (b) all supporting data, or reference in the record to supporting data sufficient to replicate those calculations.
- (c) confirmation that the average cost per cubic foot mile is the cost per cubic foot mile of capacity instead of the cost per cubic foot mile of actual volume transported. Please describe any non-confirmation.
- (d) confirmation that the Intra-Alaska linehaul Air Rates are costs per ton mile of actual mail volume transported instead of the cost per ton mile of capacity. Please explain any non-confirmation.

**UPS/USPS-36 Response:**

- (a) Cost per cubic foot mile estimates are obtained via field surveys. The average cost per cubic foot mile is a weighted average of these estimates by contract type.
- (b) See Library Reference H-82, pages 41, 85, 132 and 180.
- (c) Confirmed.
- (d) Confirmed.



RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
INTERROGATORIES OF UNITED PARCEL SERVICE

**UPS/USPS-37.** Please refer to the Revenue, Pieces, and Weight (RPW) Reporting System and other systems as appropriate. Provide the Government FY1996 mail volume drop shipped by mailers at postal facilities for:

- (a) each class of mail; and
- (b) subclass and rate category.
- (c) Identify the data subsystems used to identify the drop shipped volumes for each class and subclass in (a) and (b) above.

**RESPONSE:**

(a) - (b) The RPW system reports drop shipped mail only when the drop shipping is a dimension of the rate category. Therefore, data is available for Third-Class bulk mail drop shipped items and Fourth-Class DBMC. These results may be found in the FY 96 Billing Determinants filed as LR H-145.

(c) Third-Class activity is identified under the Bulk Mail RPW subsystem. Fourth-Class DBMC volumes are identified under the Domestic RPW subsystem.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
INTERROGATORIES OF UNITED PARCEL SERVICE

**UPS/USPS-38.** Please refer to the Revenue, Pieces and Weight (RPW) Reporting System and other systems as appropriate. Provide the Third Class Government Fiscal Year 1996 volumes, dropshipped at each BMC and ASF and SCF.

**RESPONSE:**

Please refer to UPS/USPS-37.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
INTERROGATORIES OF UNITED PARCEL SERVICE

**UPS/USPS-39.** Please identify and describe mail volume information available for each class and subclass of mail for Government FY1996.

- (a) mail destinating in an SCF service area; and
- (b) mail originating in SCF service area.

**RESPONSE:**

The Postal Service does not collect origin and destination information by GFY.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
INTERROGATORIES OF UNITED PARCEL SERVICE

**UPS/USPS-40.** Please provide Government FY1996 mail volume by class for each SCF for each category below for:

- (a) mail destinating in each SCF service area; and
- (b) mail originating in each service area.

**RESPONSE:**

Please see response to UPS/USPS-39.

UPS/USPS-41. In your response to UPS/USPS-T37-58, you state that a mailer cannot designate an alternate entry point for DBMC Parcel Post mail. However, page 4 of Instruction DM-470-80-3, Mail Acceptance at Bulk Mail Center (supplied as an attachment to the Response to UPS/USPS-T28-35), contains the following statement with respect to Parcel Post mail: "Entry Post Office: Any post office in BMC area. All mail entered by a customer in a BMC in a day must have the same entry post office." Please explain the apparent discrepancy between your answer and DM-470-80-3.

Response:

The instruction referred to in this question is quite old and pre-dates the implementation of the Parcel Post DBMC rates. Further, there may be some confusion about the entry post office for DBMC mail for revenue accounting purposes and for the determination of zone for rate application purposes. For revenue accounting purposes, the origin of the DBMC mailing is the office where the postage is paid. However, for the determination of the zone, the origin of the mail is the DBMC or other facility where the mailing is physically entered. Therefore, there is no discrepancy between the instruction referred to in your question and the responses to UPS/USPS-T37-58 and UPS/USPS-T16-26.

ANSWERS OF UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF THE UNITED PARCEL SERVICE

- T1-2.       a. Please refer to lines 3-5 on page 4 of your testimony, where you state, "[M]ost postage revenue accounts are general accounts which are not identified with specific mail categories." Has the Postal Service considered implementing a data collection system under which postage revenue, at least for major classes and subclasses of mail, would be identified with specific mail categories? If not, why not? If so, please provide all studies and reports relating to the Postal Service's consideration of this matter.
- b. Please refer to lines 5 and 6 of your testimony. Has the Postal Service considered adopting a revenue accounting system which would contain volume information? If not, why not? If so, please provide all studies and reports relating to the Postal Service's consideration of this matter.
- c. Please provide (i) an estimate of the costs of implementing a data system under which postage revenue accounts would be identified with specific mail categories and (ii) an estimate of the costs of implementing a revenue accounting system containing volume information.
- T1-2.       a. No. Most postal service revenue comes from customer purchases of stamps and postage meters. At the time of purchase, for these types of revenue, there is no way to determine customer intent in regard to either the timing of postage usage or the class(es) of mail for which postage purchased will be used. Thus, we record it at time of sale as revenue from the sale of either stamps or metered postage. Since we cannot ascertain customer intent at the time of purchase, the postal service must use statistical sampling to infer mail volume and revenue by class of mail. In some

instances revenue accounts are identified by class of mail as explained in the testimony of witness Pafford in USPS-T-1.

- b. No. See response to part a. above.
- c. Cost estimates have never been computed for such systems since it is not feasible to establish data collection systems relating postage revenue and volume by mail category as explained above.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORIES  
OF UNITED PARCEL SERVICE  
(REDIRECTED FROM WITNESS ALEXANDROVICH)

9527

**UPS/USPS-T5-17.** With reference to PCR-21 (Intra-Alaska and Intra-Hawaii Air Transportation Studies), the source for workpaper 14.0.2, please provide the following:

- (a) A discussion on the reliability of the studies and specifically the reliability of all input data and the resulting distribution keys;
- (b) A table of airport codes and airport names;
- (c) A description of how flights with more than two legs are accounted for.

**Response to UPS/USPS-T5-17:**

a) For both the Alaska and Hawaii studies, the frame data comes from the Air Contract Support System (ACSS), a management information system used by USPS to make payments to air carriers. The input sample data is recorded by trained Data Collection Technicians (DCT's) and the test structure is modeled after a TRACS air test, a familiar testing procedure for the DCT's. The Anchorage Bypass data comes from a census of all Anchorage bypass operations for AP's 5 and 6. Finally, all collected input data goes through multiple validation processes in programs AKEDIT.SAS (LR-PCR-21, p. 60) and HIEDIT.SAS (LR-PCR-21, p. 241). The precision of the resulting distribution keys is shown in the variance estimates presented on p. 169 (Alaska) and p. 292 (Hawaii).

b) The Alaska and Hawaii air transportation studies do not use complete airport names, only airport codes. In both the Alaska and Hawaii studies, all origin and destination codes have been encrypted, in a manner not affecting the outcome of the programs, to allow intervenors to recreate the results without compromising



RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORIES  
OF UNITED PARCEL SERVICE  
(REDIRECTED FROM WITNESS ALEXANDROVICH)

9528

commercially sensitive information. The encrypted airport codes included in the Alaska frame are AFZ, AJC, AJJ, ANK, ASJ, BAM, BBF, BJP, BNC, BNI, BTS, BVD, CEE, CFB, CNZ, CQG, CVC, DAD, DBT, DFA, DGD, DGU, DLE, DLV, DMU, DUV, DYA, DZN, EGM, EQT, EQV, EUJ, EVI, FAZ, FBJ, FBP, FCA, FEF, FEO, FFC, FFD, FFM, FFQ, FGF, FGK, FHQ, FIV, FIZ, FJA, FJG, FJU, FKF, FKG, FKJ, FKX, FLF, FLM, FMF, FOQ, FQS, FQV, FSA, FSF, FTB, FUT, FVE, FVG, FVK, FVV, FXY, FYA, FYG, FYI, FYZ, FZE, FZH, FZV, FZZ, GCA, GFC, GGV, GMC, GMV, GMY, GTS, GVE, IQF, ISS, IWP, JBE, JFC, JFS, JGF, JGZ, JKQ, JQV, JVJ, JVQ, JVR, JZJ, KAA, KAH, KFF, KGQ, KJF, KJV, KKJ, KKY, KNE, KQQ, KTB, KTF, KUG, KVF, LQF, MEA, MGF, NAL, NKA, NTY, NUD, NWI, QAV, QCG, QEG, QFA, QFC, QFF, QFG, QFY, QGC, QGI, QGZ, QJF, QJJ, QMF, QNZ, QSJ, QWF, QWH, RGM, SEO, SGQ, SOC, SQQ, SSF, STF, SVC, SVI, SWQ, TBM, TGJ, TJT, TLM, TVL, TVV, TZE, UBI, UCJ, UDD, UDE, UDO, UEL, UFF, UGY, UIQ, UIU, UJE, UNI, UOH, UOY, UTF, UVH, UWY, UZR, UZT, UZZ, VIW, VTQ, WMJ, WNE, WVB, WVE, XLM, XQC, XQF, XVJ, YCP, YCY, YDB, YET, YFQ, YHU, YJD, YJM, YJQ, YJW, YSZ, YTV, YUE, YWA, YYI, YZQ, ZCF, ZDM, ZEQ, ZFW, ZLX, ZST, ZVY, ZWA, and ZWI. The encrypted airport codes included in the Hawaii frame are BEE, CJB, DGV, FBQ, TFF, TMS, VCD, VGL, and VMY.

c) It is my understanding that flights with more than two legs are not part of the Alaska or Hawaii air transportation operational structure.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORIES  
OF UNITED PARCEL SERVICE  
(REDIRECTED FROM WITNESS ALEXANDROVICH)

9529

**UPS/USPS-T5-18.** With reference to PCR-21, page 4, IV. B.2. please confirm that EXPFRAME.TXT (cited at page 60) contains data on all intra-Alaska Flights for APs 5 and 6 of FY 1996 and not just those flights with at least one leg originating or destinating at one of the four test facilities. Please explain any nonconfirmation.

**Response to UPS/USPS-T5-18:**

Not confirmed. The file EXPFRAME.TXT contains data only for those flights with one leg originating or destinating at one of the four test airports. However, since the four test airports represent the only processing facilities in Alaska, the difference between the frame and the universe is insignificant.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORIES  
OF UNITED PARCEL SERVICE  
(REDIRECTED FROM WITNESS ALEXANDROVICH)

**UPS/USPS-T5-19.** With reference to PCR-21, pages 115-117, please confirm the following:

- (a) Subject to the payment frame reorganization described at page 117, a record with an empty FAC\_B field represents a one-leg flight wherein the origination airport is contained in the FAC\_A field and the final destination is contained in the FINLDEST field.
- (b) With reference to (a), the sum of the WEIGHT field for all records with the same FAC\_A and FINLDEST fields represents the total weight of mail transported via air transportation between each respective origin-destination pair during APs 5 and 6.
- (c) With reference to (a), the sum of the AMOUNT field for all records with the same FAC\_A and FINLDEST fields represents the total cost of air transportation costs (linehaul and terminal handling) relating to all mail transported via air between each respective origin-destination pair during APs 5 and 6.
- (d) Subject to the payment frame reorganization described at page 117, if the LEG\_IND variable equals 1, then the MILES variable should be the same for each identical origination-destination pair as reflected by the FAC\_A and FAC\_B variables where the FAC\_B variable is not blank. Please explain any nonconfirmation.
- (e) Subject to the payment frame reorganization described at page 117, if the LEG\_IND variable equals 2, then the miles variable should be the same for each identical origination-destination pair as reflected by the FAC\_B and FINLDEST variables where the FAC\_B variable is not blank. Please explain any nonconfirmation.

**Response to UPS/USPS-T5-19:**

- a) Confirmed.
- b) b) Not confirmed. Summing the weight field for all records in the reorganized frame with the same FAC\_A and FINLDEST fields would result in the double counting of

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORIES  
OF UNITED PARCEL SERVICE  
(REDIRECTED FROM WITNESS ALEXANDROVICH)

9531

weight traveling on two-leg flights. Two leg flights have two records, one for each

leg. Each record contains the weight of the shipment.

c) Confirmed. Note that when summing dollar amounts the double counting

problem discussed in response to part (b) of this interrogatory does not pertain since

the amount due is particular to each leg of the flight whereas the weight flown is

repeated on the record for the second leg.

d) Confirmed.

e) Confirmed.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORIES  
OF UNITED PARCEL SERVICE  
(REDIRECTED FROM WITNESS ALEXANDROVICH)

**UPS/USPS-T5-20.** With reference to PCR-21, pp. 62 and 115, please confirm the following:

- (a) TOTWT represents total pounds of bypass mail transported via air transportation in APs 5 and 6 FY 96.
- (b) The WEIGHT variable in EXPFRAME.TXT includes all bypass volume (in pounds) transported via air in APs 5 and 6 of FY 96.
- (c) Please explain any nonconfirmation.

**Response to UPS/USPS-T5-20:**

- a) Confirmed, except as discussed in (c).
- b) Confirmed, except as discussed in (c).
- c) Clarification of (a): In the BYPASS.TXT file described on p. 62 , the TOTWT variable is the total weight for the particular Anchorage bypass shipment reflected by each record. It is not the total pounds of all bypass mail flown in APs 5 and 6 of FY 96. The BYPASS.TXT file contains data for 3,171 Anchorage bypass shipments. Of these shipments, 301 occurred outside of APs 5 and 6 of FY 96 (See LR-PCR-21, program execution log of AKEDITS.SAS, p. 94, lines 822-833). Summing the TOTWT variable across the remaining 2,870 records would represent the total pounds of Anchorage bypass shipments during APs 5 and 6 of FY 96. Clarification of (b): In the description of EXPFRAME.TXT on p. 115, the WEIGHT variable does include both regularly staged mail and bypass volume in pounds. However, the weight is for the particular movement reflected by each record. As above in (a), the WEIGHT variable must be summed across all movements (with care to avoid double counting the weight on second-leg

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORIES  
OF UNITED PARCEL SERVICE  
(REDIRECTED FROM WITNESS ALEXANDROVICH)

records), to equal the total weight of all Intra-Alaska air dispatches (with at least one leg originating or destinating in Anchorage, Fairbanks, Juneau, or Ketchikan), including Anchorage bypass shipments, transported in APs 5 and 6 of FY 96.

RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF THE UNITED PARCEL SERVICE  
REDIRECTED FROM WITNESS TAYMAN

**UPS/USPS-T9-7.**

(a) Please confirm that Attachment 1 is a radio script for an advertising spot for Parcel Post that ran on November 27, 1996. If not confirmed, please explain why you are unable to confirm.

(b) Please confirm that Attachments A and B are print advertisements promoting Parcel Post that appeared in one or more publications at least once during fiscal year 1996. If not confirmed, please explain why you are not able to do so, and what Attachments A and B are.

(c) If either (a) or (b) is confirmed, please explain why Attachment I to the response to interrogatory UPS/USPS-4 (dated August 15, 1997) indicates that no costs were incurred by the Postal Service in fiscal year 1996 to advertise Parcel Post.

**RESPONSE:**

UPS/USPS-T9-7 a.-c. The Postal Service is unable to confirm. The Postal Service does not track individual advertising spots by date or class of mail.

These examples are of the type that would have been used in the holiday advertising and 'Smart Solutions' programs which related to more than one class of mail. The Postal Service's advertising agencies do not have information about specific spots and dates readily available.

RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF THE UNITED PARCEL SERVICE  
REDIRECTED FROM WITNESS TAYMAN

**UPS/USPS-T9-8.** Please confirm that in Fiscal Year 1996, the Postal Service spent at least \$3 million to advertise Parcel Post. If not confirmed, please provide the correct number.

RESPONSE: The Postal Service is unable to confirm. See the response to UPS/USPS-T9-7.



RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF THE UNITED PARCEL SERVICE  
REDIRECTED FROM WITNESS TAYMAN

**UPS/USPS-T9-9.**

(a) Please refer to Attachment 1 to interrogatory UPS/USPS-T9-7(a). On how many occasions (in total for all radio stations) in FY 1996 did the advertising spot which is the subject of that attachment appear, and what was the total cost for all such occasions put together?

(b) Please refer to Attachments A and B to interrogatory UPS/USPS-T9-7(b). In what publications and on what dates did each of the advertisements which are the subject of those attachments appear during FY 1996, and what was the total cost of all such advertising?

RESPONSE: See the response to UPS/USPS-T9-7.

RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF THE UNITED PARCEL SERVICE  
REDIRECTED FROM WITNESS TAYMAN

**UPS/USPS-T9-10.**

- (a) Please confirm that the Postal Service spent approximately \$368,000.00 on Parcel Post advertising in magazines.
- (b) Please confirm that the Postal Service spent approximately \$1,950,000.00 in television advertising (both network and spot television advertising) on Parcel Post.
- (c) Please confirm that the Postal Service spent approximately \$800,000.00 in advertising Parcel Post on network radio.

RESPONSE: See the response to UPS/USPS-T9-7.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES  
OF UNITED PARCEL SERVICE  
(Redirected from Witness Bradley, USPS-T-13)

UPS/USPS-T13-27. Referring to pages 33 and 34 of your testimony, please provide responses to the following:

- (b) Provide a complete summary of the terms and conditions under which the Postal Service contracts for plant-load transportation, including any differences in per-trip vs. annual contract specifications."

RESPONSE

Generally, plant loads have an undefined scheduled so we contract on an as-needed basis, soliciting for a per-trip rate. Per-trip contracts (account 53135) are temporary, which means the term of the contract is two years and the contract can be terminated with 30-days notice. At the time the solicitation is prepared, the Postal Service tries to gather historical information on volume movements and other relevant information, to determine contract specifications. A temporary contract can be renewed once, after which service must be terminated or replaced by a regular service contract.

A regular service plant load contract (account 53134) has a four year term. Cancellation during the term of the contract involves the payment of an indemnity to the contractor. All plant load contracts include a minimum and maximum number of trips.

Additional information on purchasing and operation of plant load service can be found in the Domestic Mail Manual and the Postal Operations Manual.

Response of the United States Postal Service to Interrogatory  
of United Parcel Service  
(Redirected from Witness Bradley (USPS-T-13))

9539

UPS/USPS-T13-36. Please provide the most recent version of all Postal Service manuals, handbooks, forms, instructions and other publications concerning the contracting, management and administration of highway contracts.

UPS/USPS-T13-36 RESPONSE

A partial objection to this question has been filed. The most recent versions of the Postal Service Purchasing Manual, the Postal Operations Manual, and the Mail Transportation Procurement Handbook as well as Management Instructions are available in the Postal Service library. Also, the standard forms associated with highway contracting were provided in MC97-2 in response to OCA/USPS-T4-9, filed April 8, 1997.

Response of United States Postal Service  
to  
Interrogatories of UPS  
(Redirected from Witness Bradley)

UPS/USPS-T14-4.

- a. Please provide a descriptive list of all data available through MODS and PIRS.
- b. What are the qualitative differences between MODS and PIRS?
- c. How are the data that are available through both MODS and PIRS collected?
- d. What are the potential sources of collection or reporting error for (1) MODS and (2) PIRS?
- e. How is the data scrubbed or audited for (1) MODS and (2) PIRS?
- f. How are MODS and PIRS data processors trained?
- g. Please discuss the data quality of (1) MODS and (2) PIRS.

UPS/USPS-T14-4 Response:

- a. MODS data are available by operation number and labor distribution code. MODS data include workhours, distribution volume and machine performance data. For a descriptive list of the MODS operation numbers and labor distribution codes, please see Exhibit USPS-14A. PIRS data are collected at Bulk Mail Centers and are available by processing activity. PIRS data include workhours and distribution volumes. Please see Library Reference H-148 at page H148-3 for a descriptive list of the activities recorded in PIRS.
- b. Because of the differences in the mix of operations in MODS offices and BMCs,

Response of United States Postal Service  
to  
Interrogatories of UPS  
(Redirected from Witness Bradley)

the MODS and PIRS data will generally be for different activities. For example, MODS will contain detailed information on letter processing operations that will not be contained in PIRS. Given the required scope of each of the systems, however, the Postal Service does not believe that there are qualitative differences between MODS and PIRS. The Postal Service believes that both systems provide data that are reliable and consistent for operational purposes.

- c. Data in the MODS and PIRS system are collected locally, at the individual facilities, by technical personnel. Workhours in both MODS and PIRS are collected electronically from employee clock rings. Workload data, while different for MODS and PIRS for the reasons discussed in part b. above, are collected electronically from processing equipment and manually, in some instances.
- d. Collection or reporting errors for MODS and PIRS may be generated through human error. Problems with electronic equipment, if any, are more likely to cause reporting omissions than errors in the data that are reported.
- e. Although no formal "scrubs" are performed, the MODS and PIRS data are

*Response of United States Postal Service  
to  
Interrogatories of UPS  
(Redirected from Witness Bradley)*

reviewed at Postal Service headquarters. For MODS data, anomalous values are identified and reported to the individual facilities involved for appropriate resolution.

- f. There are no "data processor" positions, as such. MODS and PIRS data are collected by on-site technical personnel. MODS and PIRS workload data are primarily collected electronically from processing equipment counts. Some data are entered into the MODS or PIRS systems manual, primarily for manual sorting operations. These data usually are entered by a technician who is individually trained at each site.
  
- g. The Postal Service believes that MODS and PIRS data are reliable and consistent for operational puposes. For example, as detailed by witness Moden, (USPS-T-4 at page 16) MODS data are used extensively by the Postal Service at the local, area and national levels.

Response of United States Postal Service  
to  
Interrogatories of UPS  
(Redirected from Witness Bradley)

UPS/USPS-T14-10. Please explain the process by which a site is designated as a MODS facility or a PIRS facility. Please discuss any selection bias with respect to the sites chosen.

UPS/USPS-T14-10 Response:

All Processing and Distribution Centers, Processing and Distribution Facilities, Air Mail Centers and Air Mail Facilities are designated as MODS facilities. Due to organizational and technological changes over time, a limited number of additional locations report data through MODS. District and area management, along with operations support personnel at Postal Service headquarters, decide whether to designate these locations for inclusion in MODS. These locations includes some post offices, delivery units, and administrative units. All Bulk Mail Centers are included in PIRS. The Postal Service believes that there is no selection bias in MODS or PIRS because of all of the intended facilities are included.



RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY  
OF UNITED PARCEL SERVICE  
(Redirected from Witness Bradley, USPS-T-14)

**UPS/USPS-T14-44(b).** Please provide: (1) mail processing overtime wages paid, (2) total mail volume, and (3) volume by shape and/or class of mail, by accounting period for FY 1988-1996 (accounting periods 1 through 13).

**UPS/USPS-44(b) Response:**

For information available on total mail volume and volumes by class of mail by accounting period for the requested time period, please see the Financial & Operating Statements filed with the Postal Rate Commission pursuant to the Commission's periodic reporting requirements. Please note that these Statements were not published for APs 1 through 6 of FY 1993. Also, quarterly information on total mail volume and volume by class of mail is available in the Revenue, Pieces and Weight report filed with the Postal Rate Commission pursuant to the Commission's periodic reporting requirements. Please note that the Financial & Operating Statements contain some information on mail processing overtime. Currently, the Statement shows total mail processing workhours and an overtime ratio per 100 workhours for total workhours. Attachment 1 contains available information on overtime wages for the mail processing function from FY 1988 through FY 1996 by AP.

Mail Processing  
(\$000)

Overtime wages for the Mail Processing Function by A/P.

	1988	1989	1990	1991	1992	1993	1994	1995	1996
A/P 1	48,465	41,717	46,350	69,981	61,520	57,564	93,837	81,198	71,960
A/P 2	41,513	36,075	43,252	65,867	61,776	.	94,810	87,562	74,818
A/P 3	66,847	55,423	46,890	87,079	73,499	.	97,961	87,632	79,473
A/P 4	52,805	61,463	80,215	101,893	104,381	.	132,768	131,049	127,009
A/P 5	47,849	43,616	53,008	74,190	62,404	.	84,667	75,134	76,124
A/P 6	34,771	38,100	44,952	60,019	58,202	87,996	82,026	63,687	72,190
A/P 7	32,941	32,166	40,828	46,094	50,505	82,711	77,719	55,569	65,377
A/P 8	24,124	25,708	40,428	41,927	56,500	88,910	76,304	58,196	71,627
A/P 9	17,265	21,436	31,782	36,054	44,438	73,424	64,200	44,590	56,955
A/P 10	15,279	19,394	27,229	31,401	36,455	66,167	55,201	40,440	52,376
A/P 11	25,739	28,734	38,607	40,477	50,442	75,418	60,685	46,436	62,278
A/P 12	24,755	28,663	38,439	38,950	51,894	.	60,744	45,047	61,694
A/P 13	35,675	41,118	54,467	52,911	65,706	.	68,258	55,543	81,209

Source: NWRS National Consolidated current period information by Accounting Period for Mail Processing Overtime Wages. There is some information not available - identified by ""

**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO THE INTERROGATORIES OF UPS  
REDIRECTED FROM WITNESS BRADLEY**

9546

UPS/USPS-T14-57. Please discuss the way in which the Postal Service staffs peak volume periods. Include in your discussion answers to the following:

(a) Is the Postal Service more likely to schedule overtime work during peak volume periods than during normal volume periods? Please explain your answer.

(b) Is the Postal Service more likely to schedule part-time or casual workers during peak volume periods than during normal volume periods? Please explain your answer.

(c) What is the mix of the use of overtime pay for workers as compared to the use of part-time or casual workers during peak volume periods? What is the mix during normal volume periods?

(d) Do supervisors work on sorting machines during peak volume periods? Please explain your answer.

(e) Are employees moved from one activity to another based on volume and need? Please explain your answer.

(f) What is the change in the mix of employees performing an activity when volume increases or decreases, and do these changes differ by facility? Please explain your answer.

**Response:**

- a. Yes, the workload during peak volume periods such as November and December require overtime to such an extent that it is planned. In addition there are contingency plans at the local level that call for overtime in case of extraordinary events (e.g. the UPS strike).

**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO THE INTERROGATORIES OF UPS  
REDIRECTED FROM WITNESS BRADLEY**

9547

- b. Yes. The workload requires additional personnel and the employment limits are relaxed in November and December (i.e. AP 3 and 4, see the APWU Agreement, article 7.1.B, in LR-H-88)
- c. Part time flexibles, casuals, etc. are used to supplement the regular workforce as workload dictates. When peak volume periods are anticipated, the supplemental workforce will be scheduled and/or worked more straight time hours. Overtime is primarily used when unanticipated workload materializes or when the skills of a particular employee or group of employees are needed beyond their normal schedule (e.g., employees with incoming secondary sort scheme knowledge for a zone with an unusually high volume or unscheduled absences).
- d. It depends on the circumstances as detailed in Article 1.6 of the APWU Agreement (LR-H-88)
- e. Yes within the limits described in Article 7.2 of the APWU Agreement (LR-H-88)
- f. When volume increases in November and December or due to extraordinary circumstances (e.g. the UPS strike), more casuals are employed due to the workload. The requirements may differ by facility since some facilities have a greater need for personnel without special skills or training.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORIES  
OF UNITED PARCEL SERVICE  
(Redirected from Witness Bradley, USPS-T-14)

**UPS/USPS-T14-59.** What data over time are available on the total number of items, by class, delivered by the Postal Service to their ultimate destinations? Please provide such data.

**UPS/USPS-T14-59 RESPONSE:**

The Postal Service does not collect data on the total number of items, by class, delivered to their ultimate destinations.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORIES  
OF UNITED PARCEL SERVICE

(Redirected from Witness Bradley, USPS-T-14)

**UPS/USPS-T14-60.** What data are available on the number of pieces, by class, that arrive into a site and the number of pieces that leave a site? Please provide any data available on total inflow and outflow by site and FYAP for the MODS and PIRS sites used in the data in your testimony and analysis.

**UPS/USPS-T14-60 RESPONSE:**

Data on pieces processed at a site are contained in witness Bradley's analysis (USPS-T-14). See USPS Library Reference H-148. The Postal Service does not collect data on the number of pieces, by class, that arrive into a site and the number of pieces that leave a site.

RESPONSE OF UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF UNITED PARCEL SERVICE  
REDIRECTED FROM WITNESS PATELUNAS

9550

UPS/USPS-T15-5. Has the use of postal packs affected the costs associated with moving empty equipment?

RESPONSE:

Yes.

RESPONSE OF UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF UNITED PARCEL SERVICE  
REDIRECTED FROM WITNESS PATELUNAS

UPS/USPS-T15-6. Are postal packs used uniquely for parcel shaped mail?  
Please explain.

RESPONSE:

No. Postal packs are also used for trays and sacks.



RESPONSE OF UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF UNITED PARCEL SERVICE  
REDIRECTED FROM WITNESS PATELUNAS

9552

UPS/USPS-T15-7. Please explain the operation of the Integrated Mail Handling System and why it is expected to result in cost savings. Discuss what types of operations, equipment, mail classes or subclasses, mail shapes, and facilities with which Integrated Mail Handling System is associated.

RESPONSE:

The Integrated Mail Handling System (IMHS) is a mail handling program designed to improve the overall mail handling functions within the Postal Service. Heavy emphasis is placed on the physical system elements of truck loading and unloading systems and dock transfer systems. Accordingly, the overall system concept is supported by requirements in customer mail preparation. Cost savings are expected from IMHS as a result of increased containerized loads. IMHS consists primarily of mechanized pallet loaders and unloaders, transport equipment, and other equipment (e.g., forklifts) applicable to the movement of pallets and containerized loads. Various components of IMHS are utilized in the all of the BMCs and all of the plants, but the primary IMHS deployments and upgrades have been in the BMCs. All shapes of mail primarily within the Standard and Periodicals classes are affected by IMHS.

RESPONSE OF UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF UNITED PARCEL SERVICE  
REDIRECTED FROM WITNESS PATELUNAS

UPS/USPS-T15-9. (a) Within the last three (3) years, has the Postal Service purchased any vehicles designed to be used for the purpose of delivering parcels? If so, please indicate the number and the cost of the vehicles purchased.

(b) Within the current fiscal year ending September 30, 1997, has the Postal Service purchased or does the Postal Service have plans to purchase any vehicles designed to be used for the purpose of delivering parcels? If so, please indicate the number and the cost of the vehicles.

(c) Within the next fiscal year ending September 30, 1998, does the Postal Service have plans to purchase any vehicles designed to be used for the purpose of delivering parcels? If yes, please describe those plans.

(d) If the answer is yes to (a), (b) or (c) above, please indicate to what class(es) or subclass(es) of mail are the costs attributable?

RESPONSE:

(a)–(d) The Postal Service does not design or purchase unique vehicles for the purpose of parcel delivery, nor does it plan to do so. Instead, postal vehicles are designed to accommodate delivery and collection of all types of mail, including parcels, over a variety of situations and assignments.

**UPS/USPS-T16-41.** In your response to UPS/USPS-T16-26, you state that the "origin used to determine the GCD for DBMC pieces is the BMC or other facility where the pieces are dropshipped." However, page 4 of instruction DM-470-80-3, Mail Acceptance at Bulk Mail Center (supplied as an attachment to the Response to UPS/USPS-T28-35), contains the following statement with respect to Parcel Post mail: "Entry Post Offices: Any post office in the BMC area. All mail entered by a customer in a BMC in a day must have the same entry post office." Please explain the apparent discrepancy between your answer and DM-470-80-3.

**RESPONSE:**

Please refer to the response of the Postal Service to UPS/USPS-41.

UPS/USPS-T16-42. Please refer to your response to UPS/USPS-T37-33, part (d).

- (a) Confirm that Parcel Post mail, eligible to receive the DSCF discount, that is dropshipped at a DSCF that is co-located with a DDU will receive the DDU Parcel Post discount for the portion of the mail shipment destinating to the DDU co-located with the DSCF. If not confirmed, please explain.
- (b) Confirm that 100 percent of Parcel Post mail that receives the DSCF Parcel Post discount (and not the DDU Parcel Post discount) will incur a transportation leg from the DSCF to the destination AO. If not confirmed, please explain.

Response:

(a) As was stated in the response of the Postal Service to UPS/USPS-T37-16:

"The qualifications and mail preparation requirements which will be applicable to these new categories, beyond those contained in the proposed DMCS provisions are still in the development stage and have not yet been produced or finalized." At this time, it is expected that if the mail in question is prepared as DDU mail and is dropped at the DDU, then it would receive the DDU discount.

(b) Yes, provided the mail in question is not entered at the co-located DDU.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORIES  
OF UNITED PARCEL SERVICE

9556

**UPS/USPS-T20-4.** For the Base Year, what was the total of cubic foot miles (CFM) that moved via Vehicle Service Drivers (VSD) for:

- (a) First Class Mail;
- (b) Priority Mail;
- (c) Express Mail;
- (d) all other mail (please specify).

**Response to UPS/USPS-T20-4.**

This information is not available by class of mail.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORIES  
OF UNITED PARCEL SERVICE

9557

**UPS/USPS-T20-6.** For the Base Year, on segments where both VSD and HCR are available, what was the total of CFM that moved by VSD for:

- (a) First Class Mail;
- (b) Priority Mail;
- (c) Express Mail;
- (d) all other mail (please specify).

**Response to UPS/USPS-T20-6.**

This information is not available. Please refer to the above response to UPS/USPS-T20-4.

RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO UPS INTERROGATORIES (REDIRECTED FROM WITNESS WADE)

UPS/USPS-T20-9. On average, is mail carried by VSD more or less time-sensitive than mail carried by HCR? Please explain your response.

RESPONSE

The Postal Service has not studied this issue and therefore does not have the data to provide. Routes are assigned to VSD or HCR based on cost factors, given that both are able to meet service standards.

RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO UPS INTERROGATORIES (REDIRECTED FROM WITNESS WADE)

UPS/USPS-T20-10. On average, is cube utilization better on VSD segments or on HCR segments?

RESPONSE

The Postal Service has not studied this issue, and therefore does not have data to provide.



RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO UPS INTERROGATORIES (REDIRECTED FROM WITNESS WADE)

UPS/USPS-T20-11. For the Base Year, what percentage of VSD routes are scheduled, as opposed to ad hoc?

RESPONSE

The question is unclear. The Postal Service does not schedule anything it calls "ad hoc"

VSD transportation on a route by route basis.

RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO UPS INTERROGATORIES (REDIRECTED FROM WITNESS WADE)

UPS/USPS-T20-12. For the Base Year, what percentage of HCR routes are scheduled, as opposed to ad hoc?

RESPONSE

The question is unclear. The Postal Service does not schedule anything it calls "ad hoc" HCR transportation on a route by route basis.

RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO UPS INTERROGATORIES (REDIRECTED FROM WITNESS WADE)

UPS/USPS-T20-13. Please explain the complete decision-making process of assigning mail to either VSD or HCR.

RESPONSE

It is Postal Service policy not to have PVS and HCR run between the same origin/destination pairs. VSD and HCR compete for mail routes on a cost-benefit-service basis. The winner of the competition gets the mail. The analysis is done at the local level and systematically reviewed.

RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO UPS INTERROGATORIES (REDIRECTED FROM WITNESS WADE)

UPS/USPS-T20-14. Please explain the complete decision-making process concerning which type of truck to load first, including at a minimum, a comparison of VSD trucks vs. HCR trucks.

RESPONSE

The loading of a truck, either HCR or VSD, is dependent on the availability of mail, dispatch times, and service requirements. VSD trucks and HCR trucks have dedicated routes and mail. The routes and schedules of both are part of the Postal Service's nationwide transportation network. The loading and unloading of trucks are dependent on these schedules, which are based on the availability and dispatch time of the truck's dedicated mail. Because of rolling containers, drivers can load and unload trucks with minimal or no assistance in a very short time. Unloaded mail is placed in predetermined staging areas; similarly, mail to be loaded is retrieved from staging areas. Tractors can detach and hitch trailer loads quickly as well. Trailer loads may be staged for unloading if no bays are available. Trailer loads of like mail are unloaded on a first-in, first-out basis consistent with service standards. Trailer loads for dispatch are released based on the schedule.

RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO UPS INTERROGATORIES (REDIRECTED FROM WITNESS WADE)

UPS/USPS-T20-15. Please explain the complete decision-making process concerning which type of truck to unload first, including at a minimum, a comparison of VSD trucks vs. HCR trucks.

RESPONSE

All trucks, VSD or HCR, are unloaded via first-come first-served basis with the exception of a priority shipment that would take first precedence. For a full discussion, please see the response to UPS/USPS-T20-14.

RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO UPS INTERROGATORIES (REDIRECTED FROM WITNESS WADE)

UPS/USPS-T20-16. Would it be accurate to say that, on average, preferential freight is more likely to travel on VSD than on HCR? If not, please explain.

RESPONSE

The Postal Service does not handle freight. As suggested by the response to UPS/USPS T20-13, preferential mail would travel on either PVS or HCR depending on which mode served the destination. With respect to your specific question, the Postal Service has not studied this issue, and therefore has no basis to respond.

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY  
OF UNITED PARCEL SERVICE  
(Redirected from Witness Daniel, USPS-T-29)

**UPS/USPS-T29-11.** Please provide the results to date (costs, revenues, volumes, etc.) of the Priority Mail pre-barcoding experiment that is the subject of Docket No. MC96-1.

**UPS/USPS-T29-11 Response:**

From A/P 9, FY 1996 through A/P 12, FY 1997, total Priority Mail experimental volumes were 766,176. From A/P 9, FY 1996 through A/P 12, FY 1997, total Priority Mail experimental revenues were \$2,279,968.36.

Data collected for Priority Mail at two test sites showed cost savings per piece of (3.0) and (5.2) cents.

RESPONSE OF UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF UNITED PARCEL SERVICE  
REDIRECTED FROM WITNESS SHARKEY

9567

**UPS/USPS-T33-61.**

- (a) What subclasses or categories of mail may be used by check printers to send boxes of blank checks to bank customers?
- (b) Do check printers ever use third class bulk rate regular mail to send boxes of blank checks to bank customers?
- (c) Are boxes of blank checks sent by check printers to bank customers as third class bulk rate regular processed on Small Parcel and Bundle Sorters?
- (d) Please provide all Management Instructions or other instructions concerning the handling of blank bank checks sent by check printers to bank customers.
- (e) Are boxes of blank checks sent by check printers to bank customers as third class bulk rate regular ever processed as Priority Mail pieces? If so, please explain whether this is done as a general, routine practice, or on some other basis.
- (f) Are boxes of blank checks sent by check printers to bank customers commingled with Priority Mail pieces in pouches or otherwise handled in the Priority Mail processing stream?

**Response:**

- a. Boxes of blank checks may be mailed at any of the available rates as long as the eligibility requirements for that rate are met.
- b. Yes, this is the most commonly used class of mail for sending blank checks.
- c. Sometimes. However, they are most frequently processed at the BMCs on the parcel sorters or manually at the plants.
- d. There are no instructions specifically addressing blank checks.
- e. No.
- f. If the sender chooses to mail the blank checks as Priority Mail, they would be processed in the Priority Mail stream. If mailed at the Standard (A) rate, they would not be commingled or otherwise handled in the Priority Mail processing stream.



RESPONSE OF UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF UNITED PARCEL SERVICE  
REDIRECTED FROM WITNESS SHARKEY

9568

**UPS/USPS-T33-62.** Please refer to the article titled "Mail Hub Opens in Eastern Tennessee" in *Delivering the Future* for the week of August 4, 1997 (Issue 4).

- (a) Explain how the Clinton, TN Hub & Spoke Project (HASP) facility will be affected by the PMPC network (both Phase I and Phase II).
- (b) What class(es) of mail will be processed in the HASP facility?

**Response:**

- a. PMPC Phase 1 resulted in a decrease in Priority volume flowing through the Clinton HASP. The PMPC phase 2 has not yet been defined.
- b. The facility plan indicates that First class and Priority mail will be processed at the HASP.

RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF THE UNITED PARCEL SERVICE  
REDIRECTED FROM WITNESS SHARKEY

9569

**UPS/USPS-T33-62.** Please refer to the article titled "Mail Hub Opens in Eastern Tennessee" in *Delivering the Future* for the week of August 4, 1997 (Issue 4).

- (a) Explain how the Clinton, TN Hub & Spoke Project (HASP) facility will be affected by the PMPC network (both Phase I and Phase II).
- (b) What class(es) of mail will be processed in the HASP facility?
- (c) How will the costs for the HASP facility be allocated to class(es)?
- (d) Please provide a copy of all contracts, agreements, and other correspondence with the D-D-D Company of Landover, MD regarding the operation of the Clinton, TN facility.

**RESPONSE:**

- c. The precise treatment of the HASP facility will be studied so as to distribute the costs to the appropriate class(es) of mail.

RESPONSE OF UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF UNITED PARCEL SERVICE  
REDIRECTED FROM WITNESS SHARKEY

9570

**UPS/USPS-T33-63.** Please explain how the Indianapolis, IN HASP facility will be affected by the PMPC network.

**Response:**

The implementation of the PMPC network did not effect the Indy HASP network.

RESPONSE OF UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF UNITED PARCEL SERVICE  
REDIRECTED FROM WITNESS SHARKEY

9571

**UPS/USPS-T33-64.** Please explain how each of the other HASP facilities will be affected by the PMPC network.

**Response:**

PMPC implementation will result in less Priority mail flowing through the HASP network, when fully deployed.

RESPONSE OF UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF UNITED PARCEL SERVICE  
REDIRECTED FROM WITNESS SHARKEY

9572

**UPS/USPS-T33-65.** Please explain how the total HASP network will be affected by the PMPC network.

**Response:**

See response to UPS/USPS-T33-64.

RESPONSE OF UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF UNITED PARCEL SERVICE  
REDIRECTED FROM WITNESS SHARKEY

9573

**UPS/USPS-T33-72.** Please refer to Attachment 3 hereto, relating to "the Hub and Spoke Project (HASP)."

- (a) Confirm that the first HASP facility opened in August 1996, i.e., during the base year in this proceeding.
- (b) What classes and subclasses of mail are being and will be (in the test year) handled as part of HASP?
- (f) How does the Postal Service determine what particular pieces of mail go through HASP facilities?
- (g) Describe how mail flows between HASP facilities, and between HASP facilities and non-HASP facilities.
- (h) What type of transportation is used to transport mail between HASP facilities, and between HASP facilities and non-HASP facilities? Are these transportation segments sampled in TRACS?

**Response:**

- a. Not confirmed.
- b. First class, Priority, and Express mail are currently planned to be handled as part of HASP, however there are no long range decisions not to introduce additional mail classes through the HASP.
- f. All distribution schemes are based on class of mail, dispatch times, service standards, and destinations.
- g. This question is vague, however all mail flows via surface transportation.
- h. TRACS does not sample postal vehicle service, therefore, this portion of HASP inter-facility transportation is not sampled. However, contract surface transportation serving HASPS is included in the TRACS sample frame and may be selected in for TRACS testing.

Table of Contents

# memo to mailers

September 1997

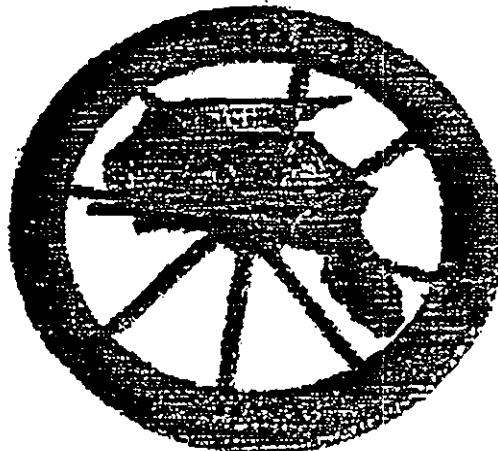
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## USPS opens another HASP; expects to save \$10 million

**T**he USPS has opened a new mail facility in Clinton, TN, that is expected to save about \$10 million annually in transportation costs. Clinton is located 12 miles north of Knoxville.

The facility is part of the Hub and Spoke Project (HASP) designed to centralize mail transfer locations by grouping ZIP Code ranges from mail bearing two- and three-day delivery commitments that is trucked from any of 91 cities in the eastern U.S. The mail will be sorted into First-Class Mail and Priority Mail containers and delivered nonstop to its final area distribution center.

A HASP facility concentrates the volume of mail transported to a particular destination, resulting in more effective utilization of transportation and improved service. The first national HASP opened in August 1996 in Indianapolis and a second off the Capitol Beltway in Washington, DC. Other HASPs, which have been in existence for a few years as regional facilities include Binghamton, NY; Bronx, NY; Harrisburg, PA; Carteret, NJ; and Worcester, MA. They are being incorporated into the national HASP network.



In addition to providing a consistent departure and arrival profile between origin-destination pairs, use of surface transportation contributes to a reduction of congestion at air transfer hubs; and surface transportation is generally less costly.

Table of Contents

RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF THE UNITED PARCEL SERVICE  
REDIRECTED FROM WITNESS SHARKEY

9575

**UPS/USPS-T33-72.** Please refer to Attachment 3 hereto, relating to "the Hub and Spoke Project (HASP)."

- (a) Confirm that the first HASP facility opened in August 1996, i.e., during the base year in this proceeding.
- (b) What classes and subclasses of mail are being and will be (in the test year) handled as part of HASP?
- (c) Provide the total costs incurred in connection with HASP, separately, (1) for Base Year 1996, (2) for Fiscal Year 1997 to date, or the most recent date during Fiscal Year 1997 for which such data are available, (3) as estimated for all of Fiscal Year 1997, and (4) as estimated for the test year.
- (d) Identify all cost accounts in which costs incurred in connection with HASP are recorded, and provide for each such cost account the amount of HASP costs estimated to be included in each account for the test year.
- (e) Are all HASP costs allocated in full to First Class Mail and Priority Mail, and to no other subclasses? If not, why not? Identify all subclasses to which HASP costs are allocated.
- (f) How does the Postal Service determine what particular pieces of mail go through HASP facilities?
- (g) Describe how mail flows between HASP facilities, and between HASP facilities and non-HASP facilities.
- (h) What type of transportation is used to transport mail between HASP facilities, and between HASP facilities and non-HASP facilities? Are these transportation segments sampled in TRACS?

**RESPONSE:**

c and d. No costs were included in the Docket No. R97-1 revenue requirement for the Knoxville HASP. The HASP has only recently become



RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF THE UNITED PARCEL SERVICE  
REDIRECTED FROM WITNESS SHARKEY

**RESPONSE continued:**

operational. Consequently, there were no costs in the base year. No costs were included as program changes in FY 1997 or the Test Year because the program was still pending final approval at the time the rate case estimates were developed. Actual FY 97 costs for the first accounting period of operation were only \$284,000 for contractual services related to running the facility and \$1.2 million of transportation cost.

The base year includes \$483,000 of transportation cost for the Indianapolis HASP for approximately one accounting period. The base year also includes the cost of operating the facility for one accounting period. This amount is included along with other network terminal handling in account 53543 but is not identified separately for the Indianapolis HASP. The revenue requirement includes an increase of \$17 million for the Indianapolis HASP included as a program in FY 1997 in component 143. See page 100 of LR H-12. Actual FY 1997 transportation costs related to the Indianapolis HASP were \$16.8 million through the end of accounting period 13. Actual costs related to the operation of the facility cannot be identified separately as explained above.

The total FY 96 and FY 97 actual cost of other HASPS staffed by Postal employees cannot be determined from Postal Service accounting reports. Some of these HASPS share finance numbers with the related Processing and Distribution facility and consequently, the costs are not identified separately.

RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF THE UNITED PARCEL SERVICE  
REDIRECTED FROM WITNESS SHARKEY

**RESPONSE continued:**

For those HASPS that do have unique finance numbers, only the personnel, and other costs of operating the facility are available. HASP transportation costs are charged to different field finance numbers together with other field highway transportation costs. The FY 96 base year HASP costs are charged to the accounts comprising highway transportation (component 143) and certain personnel costs (components 252, 253, 57, 74, 75 and 79). The amounts included in the test year for these HASPS would be those amounts included in the FY 96 base year for highway transportation and personnel costs rolled forward to the test year (i.e. the base amount adjusted for FY 97 and FY 98 rollforward effects).

e. No. As stated in parts c. and d. of this response, only a portion of the HASP costs can be separately identified. Those costs that cannot be separately identified and that are a part of the components listed in parts c. and d. of this response are distributed to all of the classes and special services that have costs in those components.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO UPS INTERROGATORY  
REDIRECTED FROM WITNESS MAYES

UPS/USPS-T37-14. Referring to pages 2, 3, and 7-10 of your testimony, please provide copies of all publications, instructions, manuals, memos, correspondence, operating procedures and other documentation pertaining to Postal Service DBMC, OBMC entry, BMC presort, DSCF dropship, and DDU dropship rates and services.

Response:

Please refer to the response of witness Mayes to UPS/USPS-T37-15, 16, 17 and 18.

RESPONSE OF UNITED STATES POSTAL SERVICE  
TO INTERROGATORY OF UNITED PARCEL SERVICE  
REDIRECTED FROM WITNESS MAYES

UPS/USPS–T37–51. Please refer to your responses to interrogatories UPS/USPS–T37–16 through UPS/USPS–T37–18. Please provide the most current draft of the qualifications and mail preparation requirements for each of the following proposed discounts: (i) OBMC entry; (ii) BMC presort; (iii) DSCF entry; and (iv) DDU entry.

RESPONSE:

As witness Mayes indicated in the referenced responses, these requirements have neither been finalized nor produced. That is to say, draft regulations containing requirements beyond those already indicated in the filing in this case have not been produced.

UPS/USPS-T37-57. Please refer to your response to UPS/USPS-T37-15, and to DMM section E652.

- (a) Please confirm that in order for mailings presented to DMUs at a mailer's plant to be eligible for DBMC rates, the mailer must provide transportation to the dropship point at all times. If not confirmed, please explain.
- (b) Please provide a detailed explanation of how mail presented to the Postal Service, at the origin post office BMEU serving the mailer's plant under an authorized plant-verified drop shipment postage payment system, can be eligible for DBMC rates. Please include [sic] an example to support your answer and identify who is responsible for providing transportation to the BMEU and DBMC.

Response:

- (a) Not confirmed. The mailer may also choose to pay for postal transportation by way of using Priority Mail or Express Mail drop shipments to expedite the mail to the DBMC.
- (b) The conditions that must be met by the mailer when bringing plant-verified dropshipment mail to a BMEU for verification and clearance are outlined in DMM section P750.2.2a-g. DMM section P750.2.3 sets forth the mailer's responsibility for transporting mail to the destination BMC or other destinations and for loading/unloading the truck. The mailer would bring the mail to the post office. The acceptance clerk would verify the mail makeup and postage, check the mailing statement(s) and Form(s) 8125, and if the mailing has been properly prepared and paid for, the clerk would then sign the Form 8125. Once the mail is cleared for dispatch, the mailer must transport the mail, or use Express Mail or Priority Mail dropshipment of the mail, to the destination office.

UPS/USPS-T37-58. Please refer to your response to UPS/USPS-T37-15, and to DMM section E652. For a qualified DBMC mailing dropshipped by a mailer at the Chicago BMC, please explain whether a mailer could designate any one of the following facilities as the entry facility and use the zone chart for that facility to calculate postage (assuming all parcels destinating in the service area for each facility below):

- (a) Palatine, IL SCF
- (b) South Suburban SCF, IL
- (c) Chicago, IL 60607-9998, Post office
- (d) Wausau, WI SCF
- (e) Iron Mountain, MI SCF
- (f) Gary, IN, SCF.

Response:

A mailer cannot designate an alternate entry point for DBMC mail. Under certain conditions (see DMM section E652.4.0), the Postal Service can designate an SCF as the acceptance point if it benefits the Postal Service.

UPS/USPS-T37-60. Please refer to your response to UPS/USPS-T37-15, and to DMM section E652.

- (a) Does all mail have to be verified before being dropshipped at a DBMC to get DBMC rate mailings? Explain your answer.
- (b) Can dropship mail for DBMC rate mailings be verified before dropshipping at the DBMC at locations other than DMUs? If yes, please identify and describe all of those types of facilities. If no, explain your answer.
- (c) Please confirm that for plant and BMEU authorized plant verified drop shipments at a DBMC for DBMC-rate mailings, the DBMC rechecks verification before acceptance. If not confirmed, explain your answer.

Response:

- (a) The mail may be verified and postage paid at the DBMC entry point if the mailer is authorized. It need not be verified prior to arrival at the DBMC. See DMM sections E651.2.1b. and E652.3.2.
- (b) Under the plant-verified dropship program, a mailing may be verified at any postal facility with a Business Mail Entry function instead of at a DMU.  
  
Please refer to DMM sections P750.2.2, E651.2.1, and E652.3.2.
- (c) Not confirmed. The acceptance clerk at the DBMC would compare the mail presented to the information on the accompanying Form 8125 to make sure that it matches the information on the form as to the volumes of mail, the class of mail and the permit holder. The acceptance clerk at the DBMC is not required to verify the mail makeup for parcels entered as plant-verified dropship mail, as such verification has already been performed.

UPS/USPS-T37-61. Please provide a copy of all publications, brochures, directives, manuals, forms, packets, and other information that would be provided to a mailer inquiring about Postal Service DBMC Parcel Post Service.

Response:

The information provided to the mailer inquiring about DBMC Parcel Post service would depend on the familiarity of the mailer with postal practices and services as well as the size of the mailer's anticipated shipments. Some customers would receive a copy of the DMM and be referred to the BMC Information Guide, available on the Postal Service's web page ([http://ribbs.usps.gov/html/bulk\\_mail\\_center\\_information.htm](http://ribbs.usps.gov/html/bulk_mail_center_information.htm)). The web page also includes a directory of BMC Service Specialists, secondary sort plans, and critical entry times and dispatch of value for each BMC. Some customers would be referred for training in the postal business centers. For any customers perceived to represent potentially large shipments of such mail, a Postal Service employee would go the mailer's plant to provide information and assistance in person.



UPS/USPS-T37-68. Please refer to your response to interrogatory UPS/USPS-T37-20. The purpose of this question was to better understand the rules and options a parcel post drop shipper has for designating entry facilities for computing postage using that facility's zone chart related to where parcels are actually dropped (e.g., dropping at a BMC and using the parent post office zone chart.) The interrogatory is therefore restated below.

- (a) Provide a detailed description of the rules and options parcel post shippers have for assigning the origin zip code that will be used for calculating parcel post rates from zone charts (referring to entry facilities, service area, addresses etc.) for each of the following:
- (1) DBMC;
  - (2) OBMC entry;
  - (3) BMC presort;
  - (4) DSCF dropship;
  - (5) DDU dropship
- (b) Please provide an example for these rules and options using actual postal facilities and zip codes for (a) (1)-(5).

Response:

- (a) Please refer to the responses to UPS/USPS-T37-58, UPS/USPS-T37-14, UPS/USPS-T37-16 and OCA/USPS-T37-12.
- (b) Not applicable.

UPS/USPS-T37-70. Please refer to your response to UPS/USPS-T37-15 and DMM section E652.3. Please confirm that postal employees are sometimes employed at detached mail units at the mailer's origin plant for verification of DBMC parcel post under an authorized plant-verified drop shipment system.

- (a) If confirmed, describe the assignment and duties of these employees, including an explanation of whether these employees are assigned full time, part time, or other, and how the costs for these employees are assigned to parcel post DBMC service.
- (b) If not confirmed, please explain your answer.

Response:

Confirmed.

- (a) Clerks are generally assigned to detached mail units based on the volume of mail, the complexity of the verification process, and other considerations.

The clerks complete verification and sampling procedures, process related paperwork, and verify Forms 8125 against the postage statements and staged mail. The clerks may be assigned on a full-time or part-time basis.

The clerks may be full-time postal employees but work only part of the day at the detached mail unit at a particular mailer's plant. Clerks assigned to detached mail units are included in the sampling for the In Office Cost System, and the costs of their activities are assigned to the appropriate classes and subclasses of mail according to the guidelines associated with that costing system. IOCS applies costs associated with these clerks handling DBMC Parcel Post -- or any other Parcel Post -- to Parcel Post in general, and not to DBMC in particular.

- (b) Not applicable.

UPS/USPS-T37-71. Do DBMC parcel post drop shippers use postal packs when delivering mail to Postal Service facilities?

- (a) If yes, who provides the postal packs to the shippers?
- (b) How are the postal packs controlled?
- (c) What is the cost of a new postal pack?
- (d) How many postal packs have been provided to DBMC mailers in FY 1996?

Response:

It is unlikely that DBMC mailers use postal paks, but mailers commonly use gaylords or other similar cardboard boxes to containerize mail.

- (a) It is not the policy of the Postal Service to provide mailers with postal paks or other similar cardboard boxes. The mailer purchases such containers.
- (b) The Postal Service has a general distribution plan against which the postal paks and other cardboard boxes are redistributed to facilities. BMC managers execute against that plan.
- (c) The new purchase price of a postal pak, which is reusable, is \$23.11, not including the cost of the pallet on which such box would be loaded. The pallet, which is also reusable, costs about \$18.
- (d) Please refer to the response to part (a) above. As there is no official policy of providing such boxes to mailers, no tracking of the number of such boxes provided to mailers is performed.

UPS/USPS-T37-72. During a visit to the Southern Maryland Processing and Distribution Center on September 4, 1997, a placard was pointed out on the dock of the BMC titled "Drop Shipment Clearance Procedures." Please provide a complete copy of this placard.

Response:

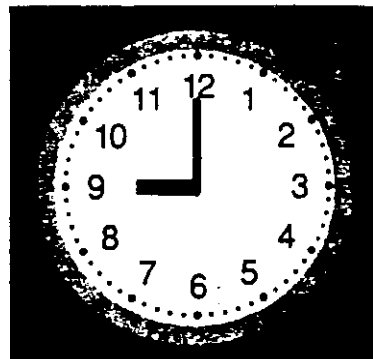
Please see the attached copy of the poster to which you refer.

# DROP SHIPMENT CLEARANCE PROCEDURES

9588

## 1. Ensure Mailer has a Drop Shipment Appointment.

- Mailer must have a scheduled appointment and confirmation number (Form 8125, Section 1, Block 9).  
**Exception:** Local mailers who normally enter their mailings at your window or business mail entry unit.
- Vehicles arriving early accommodated if operations permit; otherwise, advise driver to return at scheduled time.
- Vehicles arriving more than 20 minutes late at DDU or 2 hours at BMC/ASF/SCF: Accommodate when operationally feasible.



## 2. Obtain Form 8125 or 8125-PV.

(Drop Shipment Clearance Document)

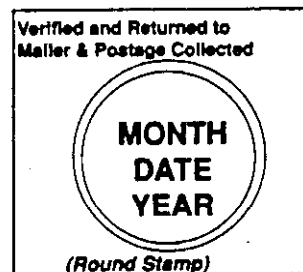
- Driver must present a Form 8125/8125PV with Sections I and II and Block 1 of Section III completed.
- The destination shown in Block 1 of Section III **must** be the facility where the mail is unloaded.

A detailed form with multiple sections and fields for data entry, including sections for mailer information, destination, and verification.

## 3. Review Section II of the Form.

Check for:

- Signature of the verifying employee.
- Dated round stamp showing where and when mail was verified and postage collected.
- Completion of all other blocks before allowing the mail to be unloaded.



## 4. Unload Drop Shipment Mail.

The driver is responsible for unloading all shipments at delivery units. At BMC/ASF/SCF, drivers will unload bed loaded mail with postal assistance and postal personnel will unload containers and pallets. Unloading to be completed **within the following time frames:**

### DELIVERY UNIT

- 1 hour

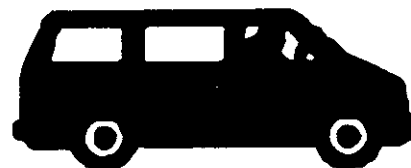
### BMC/ASF/SCF

- Pallets - Six or Less
- Containers/Pallets
- Bedloads

2 hours

4 hours

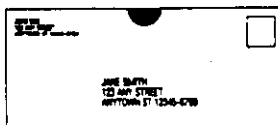
8 hours



## 5. Verify the Drop Shipment.

Review Section I of Form 8125/8125PV. Compare the information in Blocks 1 thru 8 with the mail.

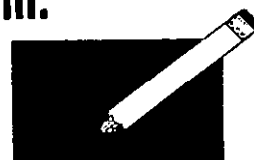
- Does the type of mail match that checked on the form?
- Does the type and number of containers match that shown in Block 8?
- If there are any discrepancies, contact the office that verified the mail.



## 6. Complete Part III.

Block 1: (Mailer entry)  
Block 2, 3, & 4:

- Record the date and time of arrival and sign Form 8125/8125PV. When these blocks are filled in, the receiving employee agrees that the information on the form is accurate and accepts the mail deposited.
- Give the driver Part 3 of the form and retain Part 1 for one year at the destination facility.
- Provide the district drop shipment coordinator with arrival information as soon as possible.



UPS/USPS-T37-73. Please refer to your response to UPS/USPS-T37-41 and the sections cited therein of Handbook PO-502, Container Methods.

- (a) Confirm that the date of this manual is September 1992.
- (b) Confirm that Postal Service policy regarding loans of pallets, OTRs, and other containers, including return of such containers to private mailers, has been modified since 1992 in connection with the Integrated Mail Handling System and other initiatives.
- (c) Please identify and describe all such changes in policies toward provision of containers to private mailers, including internal policies and guidelines making such containers available to private mailers in connection with work sharing programs.
- (d) Please provide estimates of the Test Year and Base Year cost of mail transport equipment (MTE) loaned to private mailers, and include details on the inventory of such MTE by type, its cost, and estimates of depreciation and maintenance costs associated with this equipment.
- (e) Please explain how the costs of MTE loaned to DBMC mailers as identified in your answer to (d) above, are accounted for in your analysis of DMBC costs and proposed rates.

Response:

- (a) Confirmed.
- (b) Not confirmed.
- (c) Not applicable. The policy regarding the loan of equipment to mailers remains essentially the same. The Postal Service will provide pallets, sacks and trays to mailers for purposes of transporting mail, but other equipment is not loaned except on a local basis. At the discretion of local management, rolling stock may be provided to mailers for local use.
- (d) Such data is not available.

(e) MTE costs are distributed to class and subclass according to cost

Component 35, Mail Processing Direct Labor. They are not distributed to DBMC directly.

UPS/USPS-T37-75. Please refer to page 1, lines 14-15 of your direct testimony, where you state that the current rate structure of Parcel Post is based, in part, on whether "the parcel is mailed and delivered within a bulk mail center (BMC) or auxiliary service facility (ASF) service area."

- (a) Please confirm that for rate purposes, an ASF and a BMC are treated identically. If not confirmed, please explain.
- (b) Are ASF and BMC service territories mutually exclusive? If not, please explain.
- (c) Describe generally where there are ASF service areas.
- (d) What dictates whether there is an applicable ASF or BMC service territory? Please explain your answer.

Response:

(a) Confirmed.

(b) For purposes of claiming the DBMC discount, ASF and BMC service territories are mutually exclusive. Please refer to the DMM at L602. If the DBMC discount is not being claimed, the ASF service territories are subsets of their parent BMCs' service territories. Please refer to the DMM at L601.

(c) Please refer to L601 and L602 in the DMM. The following BMCs have ASFs in their service areas:

Pittsburgh BMC	Buffalo ASF
Des Moines BMC	Sioux Falls ASF
Minneapolis/St. Paul BMC	Fargo ASF
Dallas BMC	Oklahoma City ASF
Denver BMC	Albuquerque ASF
	Billings ASF
	Salt Lake City ASF
	Phoenix ASF

(d) The applicable service territory would depend on whether the mail is claiming a DBMC discount. ASFs generally process Parcel Post originating and



destinating within their service areas. Other Parcel Post would be processed at the parent BMC.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
INTERROGATORY OF UNITED PARCEL SERVICE  
(REDIRECTED FROM WITNESS TAKIS)

UPS/USPS-T41-35 Please provide the piece volumes of mail moving through the Eagle network during the base year separately for (a) First-Class Mail, (b) Express Mail, and (c) Priority Mail.

RESPONSE

This information is not available.

**Designated Responses of the  
United States Postal Service  
to VP-CW Interrogatories**

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY OF  
VAL-PAK DEALERS' ASSOCIATION, INC., VAL-PAK DIRECT MARKETING  
SYSTEMS, INC., AND CAROL WRIGHT PROMOTIONS

VP-CW/USPS-1. Please file as a library reference a complete copy of billing determinants for all classes and subclasses of mail for Base Year 1996.

RESPONSE:

See USPS LR-H-145.

RESPONSE OF UNITED STATES POSTAL SERVICE TO  
INTERROGATORIES OF VAL-PAK DIRECT MARKETING SYSTEMS, INC., VAL-PAK  
DEALERS' ASSOCIATION, INC., AND CAROL WRIGHT PROMOTIONS, INC. REDIRECTED  
FROM WITNESS MOELLER

9596

**VP-CW-USPS-T36-11.**

The following table compares test year transportation costs for Standard A mail as found in LR-H-111 and USPS-15J. Please reconcile the different figures shown on row 2 and labeled here as "Other (purchased) transportation cost."

	(1)	(2)
	LR-H-111 App. B Table 8	USPS-15J Page 4
1. Postal-Owned Vehicle Cost	\$128,899	n.a.
2. Other (purchased) transportation cost	\$429,422	\$468,693*
3. Total - all modes	\$558,321	\$468,693

\* Excludes Single Piece Standard A

**RESPONSE:**

There are three reasons that explain why the figures shown on row 2 are different:

1. As stated above, the figure \$468,693 is from USPS-15J, or the Cost and Revenue Analysis, TY 1998 at Proposed Rates. USPS LR-H-111 uses the transportation costs from USPS-15G, or the Cost and Revenue Analysis, TY 1998 at Current Rates. (See USPS LR-H-111, Appendix B, Table 5.)
2. In USPS LR-H-111, Intra-SCF highway costs are adjusted in order to eliminate non-inter-facility transportation costs. (See USPS LR-H-111 p. 10 and Appendix B, Table 7.)
3. Inland water transportation costs are not included in USPS LR-H-111. (See USPS LR-H-111, p.12.)

RESPONSE OF UNITED STATES POSTAL SERVICE TO  
INTERROGATORIES OF VAL-PAK DIRECT MARKETING SYSTEMS, INC., VAL-PAK  
DEALERS' ASSOCIATION, INC., AND CAROL WRIGHT PROMOTIONS, INC. REDIRECTED  
FROM WITNESS MOELLER

9597

**VP-CW/USPS-T36-12.**

According to LR-H-145, G-2, pp.1-2, the total pounds of bulk Standard A Regular Mail was:

	<u>Pounds</u>
Total Regular (basic + 3/5)	4,048,844,175
Total Carrier Route	<u>4,111,416,346</u>
	8,160,260,521

Total pounds entered at DDUs were as follows:  
(see USPS-29D, p.3)

<u>Letters</u>	<u>Pounds</u>
Non-Saturation	8,436,165
Saturation	<u>22,714,978</u>
 <u>Nonletters</u>	
Non-Saturation	43,016,825
Saturation	<u>980,008,342</u>
	1,054,176,310

In other words, the billing determinants indicate that 12.9 percent were dropshipped to DDUs. LR-H-111, Appendix A, Table 1 indicates that only 1.11 percent of Bulk Standard A Mail (in pounds) is entered at DDUs.

- a. Please reconcile the difference between billing determinant data and LR-H-111 with respect to DDU entry.
- b. Please explain why LR-H-111, App. A, Table 1 was based on LR-H-105 instead of billing determinants.

**RESPONSE:**

- a. The difference between billing determinants data and USPS LR-H-111 with respect to DDU entry is explained by several reasons. First, Table 1 in USPS-LR-H-111 represents the sum of both regular and nonprofit mail. Next, Table 1 is based upon data collected during the Standard (A) mail characteristics survey (USPS-LR-H-105). This survey relied upon data collected from a sample of randomly selected offices, whose billing determinants when compared to the nation as a whole have less DDU mail (approximately 6 percent of sample office mail was DDU entry). Next, some offices in the survey reported less frequently than

RESPONSE OF UNITED STATES POSTAL SERVICE TO  
INTERROGATORIES OF VAL-PAK DIRECT MARKETING SYSTEMS, INC., VAL-PAK  
DEALERS' ASSOCIATION, INC., AND CAROL WRIGHT PROMOTIONS, INC. REDIRECTED  
FROM WITNESS MOELLER

9598

they were asked to do in the survey. These offices tended to have more DDU mail than the sample offices in general. Since there was no office specific factor used in the control process, the amount of DDU mail reflected in the survey data was further reduced. Finally, when the data for Table 1 were prepared, no control to billing determinants at the destination entry level was used, so Table 1 reflects the DDU mail sampled during the mail characteristics survey.

- b. Billing determinants can only determine the amount of mail dropshipped to BMCS, SCFs and DDUs. To estimate the amount of mail entered at the remaining entry locations represented in Table 1, the data in USPS LR-H-105 and H-145 are needed.

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DEALERS' ASSOCIATION, INC., AND CAROL WRIGHT PROMOTIONS, INC. REDIRECTED  
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9599

**VP-CW/USPS-T36-13.**

Please refer to LR-H-111, pp. 5-6, and pp. 13-15, which gives the nontransportation costs avoided for Standard A Mail.

- a. Within the CRA, are these nontransportation costs recorded as direct or indirect costs? If they are indirect costs, are they included in the piggybacks for mail processing costs, delivery costs, or something else? Please explain.
- b. Please refer to USPS-29C, p. 3. For mail that is not dropshipped, are the nontransportation costs that could be avoided by dropshipment included under (i) Mail Processing Costs, (ii) Other Costs, or (iii) somewhere else?

**RESPONSE:**

- a. Within the CRA, the nontransportation costs avoided for Standard (A) are recorded as both direct and indirect costs. The indirect cost portions are included in the mail processing piggyback factors.
- b. (i) Mail Processing Costs.



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9600

**VP-CW/USPS-T36-14.**

LR-H-111, Appendix B, Table 6 shows the transportation costs for Standard A Regular Mail as including some \$139 million for Postal-Owned Vehicle Costs.

- a. What cost segment(s) contain this \$139 million of Postal-Owned Vehicle Costs?
- b. Are these Postal-Owned Vehicle Costs direct costs, or are they included in the indirect costs, or piggybacks, of other direct costs?
- c. If they are included in the indirect costs or piggybacks or other direct costs, are they part of the piggybacks for (i) mail processing costs, (ii) delivery cost, or (iii) both?

**RESPONSE:**

- a. Cost segment 8 contains the direct postal-owned vehicle costs, which account for all labor costs associated with vehicle service drivers. The vehicle service driver piggyback factors can be found in USPS LR-H-77, pp.103-119. (See USPS LR-H-111, Appendix B, Table 6.) The costs from segment 8, in addition to the indirect costs associated with the vehicle service driver piggyback factors, account for the aforementioned Standard Mail (A) Regular Rate postal-owned vehicle costs of approximately \$139 million.
- b. A portion of the postal-owned vehicle costs are direct costs which include the labor costs associated with vehicle service drivers, and a portion are indirect costs. For Standard Mail (A) Regular Rate, approximately \$90 million of the \$139 million are direct labor costs from segment 8, and \$49 million are indirect costs associated with the vehicle service driver piggyback factors.
- c. The indirect costs for postal-owned vehicles are not included in mail processing or delivery piggyback factors. These costs are captured in piggyback factors that are specific to vehicle service driver costs, such as supervisory costs, administrative costs, vehicle depreciation, and interest expenses. (See USPS LR-H-77, pp. 103-119, for a complete listing of costs that make up the vehicle service driver piggyback factors.)

**Designated Written Responses of the  
United States Postal Service  
to Questions Posed During Hearings**

RESPONSE OF THE POSTAL SERVICE TO QUESTION OF DAVID B. POPKIN  
POSED AT THE OCTOBER 7, 1997 HEARING

Question (paraphrased from Tr. 3/697-699):

Would a Standard Mail package with special handling service move cross-country using air transportation?

**RESPONSE:**

Generally a Standard Mail package with special handling service would not receive air transportation when moving cross-country.