

ORIGINAL

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

SPECIAL SERVICES FEES AND CLASSIFICATIONS, 1996)

Docket No. MC96-3

NASHUA PHOTO INC. AND MYSTIC COLOR LAB
FIRST INTERROGATORIES AND REQUEST FOR PRODUCTION OF DOCUMENTS
TO UNITED STATES POSTAL SERVICE (NM/USPS 1-27)
(August 8, 1996)

Pursuant to sections 25 and 26 of the Postal Rate Commission rules of practice,
Nashua Photo, Inc., and Mystic Color Lab hereby submit interrogatories and document
production requests. If necessary, please redirect interrogatories and/or requests to a more
appropriate Postal Service witness.

Respectfully submitted,



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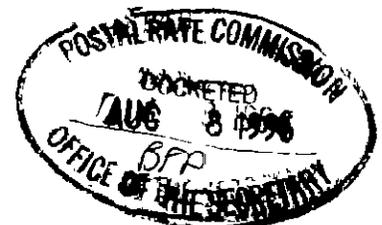
CERTIFICATE OF SERVICE

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



William J. Olson

August 8, 1996



NM/USPS-1.

Attached hereto as Exhibit A is a listing of the special service fee schedules, SS-1 through SS-20, found in the DMCS, along with revenues (in thousands) for certain of those special services as reported in Docket No. R94-1, USPS-11I, which accompanied the testimony of witness Foster.

- a. Please confirm that the 1993 actual revenues shown in the attachment are correct. If you do not confirm, please provide the correct amounts.

- b. Please explain why no revenues were given for the fees in Rate Schedules SS-11a-d, and if 1993 actual revenues are available for the fees shown in Rate Schedules SS-11a-d, please provide them. If revenues which the Postal Service derives from the fees in Rate Schedules SS-11a-d are included with revenues from another special service, please so indicate and explain why they are not reported separately. If revenues which the Postal Service derives from the fees in Rate Schedules SS-11a-d are not included with revenues from another special service, but instead are reported somewhere else within the CRA, please indicate where revenues from fees for these special services are recorded and explain the rationale for including them elsewhere than under special services.

- c. (i) What is the amount of revenues in 1993 that the Postal Service derived from fees for merchandise return services shown in Rate Schedule SS-20? (ii) Where are such revenues recorded and reported in the CRA?
- d. Please confirm the 1993 total revenues derived from fees for all special services shown in the last row of Exhibit A. If you do not confirm the total shown in the attachment, please provide the correct total.

NM/USPS-2.

Please confirm that the 1993 CRA showed total revenue from special services as \$1,317,600,000. If you do not confirm, please provide the correct figure shown in the 1993 CRA.

NM/USPS-3.

Please reconcile fully any difference between (i) 1993 total revenues derived from fees for special services shown in the attachment to preceding interrogatory NM/USPS-1, \$1,727,043,000, and (ii) total revenues for fees from special services as reported in the 1993 CRA, and discussed in preceding interrogatory NM/USPS-2. For any fees from special services that are reported separately in USPS-111 but that are not included in CRA special services revenue, please explain where the revenues are recorded, and state the rationale for not recording and reporting such fees as part of special services revenue in the CRA.

NM/USPS-4.

The following table compares (i) estimated revenues in Docket No. R94-1 from selected special services for 1995 Test Year After Rates, from POIR #10, question 2e (column 1 below), with (ii) actual 1995 revenues for certain special services as reported in Docket No. MC96-3, USPS-T-7 & 8 (column 2 below).

Fee Schedule SS-	(1) 1995 TY After Rates Revenues (000)	(2) 1995 Actual Revenues (000)
5. Certified Mail	526,248	527,209
6. COD	24,508	??
8. Money Orders	213,870	??
9. Insurance	53,228	51,846
10. Box Caller Service	554,607	531,803
14. Registry	114,828	117,461
16. Return Receipts	--	240,735
17. Special Delivery	2,655	2,800
19. Stamped Envelopes	<u>23,959</u>	<u>??</u>
TOTAL	1,512,903	1,471,854

Please supply 1995 actual revenues derived from fees for the following special services: COD (SS-6); Money Orders (SS-8); and Stamped Envelopes (SS-19).

NM/USPS-5.

Please provide the 1995 actual revenues from fees for the following special services: Address Corrections (SS-1); Business Reply Mail (SS-2); Certificates of Mailing (SS-4); On-site

Meter Setting (SS-12); Parcel Air Lift (SS-13); Restricted Delivery (SS-15); Special Handling (SS-18); and Merchandise Return (SS-20).

NM/USPS-6.

- a. Please confirm that the 1995 CRA, USPS-T-5C, shows total revenues from special services amounted to \$1,564,700,000. If you do not confirm, please provide the correct total.

- b. Please reconcile fully the total revenue from special services as reported in the CRA with the total revenues for all special services provided in response to preceding interrogatories NM/USPS-4 and NM/USPS-5.

NM/USPS-7.

- a. Please confirm that on April 23, 1996, at the National Postal Forum in Anaheim, California, the prepared remarks of William J. Henderson, Chief Operating Officer and Executive Vice President of the Postal Service, included the following statement:

In three years, we will see \$9.6 billion in additional expenses. And growth in total costs for the five-year period out to the year 2000 will be in the \$17 billion range. . . Our current forecasts show a gap of \$12.4 billion.

- b. Please provide a full definition of the "gap" referred to by Mr. Henderson.

- c. Starting with either FY 1996 or FY 1997, indicate on a year-by-year basis the annual gap forecasted by Mr. Henderson until it reaches the cumulative total of \$12.4 billion

discussed by Mr. Henderson (and also discussed by Mr. Loren Smith in his prepared remarks at the Anaheim Postal Forum).

NM/USPS-8.

- a. Since Docket No. R94-1, (i) has the Postal Service revised, corrected or updated any previous study dealing with BRM, including but not limited to the study submitted as a library reference in Docket No. R94-1; and (ii) has the Postal Service initiated or commissioned any new study or analysis dealing with BRM?

- b. Unless the answer to both (i) and (ii) above is an unqualified negative, please (i) identify all BRM studies or analyses completed, and submit copies of each completed study so identified as a library reference, and (ii) identify all BRM studies or analyses underway and describe fully the scope and status of any study not yet complete, and state the target schedule for completion of all such studies now in progress (include any studies in the planning stage as well as those actually underway).

NM/USPS-9.

- a. What was the total number of BRM advance deposit accounts in 1994 and Base Year 1995? Please provide data that are comparable to the 64,244 BRMAS accounts [and 128,488 BRM accounts] estimated by USPS witness Mallonee and referenced in interrogatory NM/USPS-17.

- b. Of the total number of BRM advance deposit accounts identified in preceding part (a), please state the number or the percentage that qualified for the BRMAS rate in Base Year 1995, and explain the basis on which the estimate is derived.
- c. For Base Year 1995, please state the total revenues derived from the accounting fee for BRM advance deposit accounts; i.e., the \$205 per account shown in rate schedule SS-2.
- d. For Base Year 1995, please state the number of BRM permits issued and total revenues derived from the permit fee; i.e., the \$85 per account shown in rate schedule SS-2.

NM/USPS-10.

- a. What was the total volume of BRM in 1994 and Base Year 1995?
- b. What was the number, or percent, of total BRM pieces that paid the pre-barcode rate of 2 cents per piece for advance deposit accounts in Base Year 1995?
- c. What was the number, or percent, of total BRM pieces that paid the "other" (non-pre-barcode) rate of 10 cents per piece for advance deposit accounts in Base Year 1995?

- d. What was the number, or percent, of total BRM pieces that paid the rate of 44 cents per piece (when advance deposit accounts were not used) in Base Year 1995?

NM/USPS-11.

In Docket No. R94-1, the rebuttal testimony of witness Donald L. Mallonee, Jr., USPS-RT-8, at p. 3, fn. 2, stated that

BRMAS participants are required to use different ZIP+4 add-ons depending upon their use of postcards, 1 ounce pieces, or 2 ounce pieces.

Please explain how the BRMAS account holder can control what the sender puts into a BRM envelope and can tell in advance whether a BRM letter will weigh 1 or 2 ounces.

NM/USPS-12.

- a. In Docket No. R94-1, the rebuttal testimony of witness Donald L. Mallonee, Jr., USPS-RT-8, at p. 3, fn. 2 stated that

Management of the BRMAS Program was coordinated by headquarters program managers. This centralized management was augmented by five Regional BRMAS coordinators who worked with site BRMAS coordinators to implement the program locally.

Does the Postal Service still have five (or more) designated Regional BRMAS coordinators?

- b. If not, please explain when these assignments or positions were terminated, and what functions the regions now have with respect to the BRMAS Program.

NM/USPS-13.

- a. In Docket No. R94-1, the rebuttal testimony of witness Donald L. Mallonee, Jr., USPS-RT-8, at p. 5, stated that "Most sites that utilize BRMAS continue to process BRMAS mailpieces on a separate, unique sort program." Please confirm that witness Mallonee's statement is as true today as when it was written.
- b. If you are unable to confirm, please explain fully and cite all circumstances that have changed with respect to the way BRMAS mailpieces are handled at "most sites."

NM/USPS-14.

In Docket No. R94-1, the rebuttal testimony of witness Donald L. Mallonee, Jr., USPS-RT-8, at p. 6, explained that

Inaccurate BRM billing occurs when BRMAS customer information is not maintained and kept current. Modifications to customer account characteristics, such as assigning new BRMAS bar codes to reflect the use of postcards as well as letters, [and] removing customers that drop out of the program . . . may affect the counting and rating process.

- a. How many customers dropped out of the BRMAS program in base year 1995?
- b. What form or forms are used to identify and keep track of customers that qualify for and participate in the BRMAS program?
- c. How many BRMAS accounts were added in base year 1995?

- d. In base year 1995, how many BRMAS accounts (i) changed from letters to postcards, or vice-versa; or (ii) started receiving post cards in addition to letters, or vice-versa?
- e. On average, how many times a year must BRMAS software be reprogrammed at local sites?

NM/USPS-15.

In Docket No. R94-1, the rebuttal testimony of witness Donald L. Mallonee, Jr., USPS-RT-8, at p. 7, stated that

While there is a procedure through which the customer presents postage paid mailpieces for reimbursement, the Postal Service sometimes performs these manual counts as a customer service.

- a. Does the Postal Service continue to perform these manual counts as a customer service? If the answer is negative, please explain when the Postal Service discontinued providing manual counts as a customer service.
- b. Does the Postal Service have any policies relating to when it will perform these manual counts as a customer service? If so, please describe them in detail.
- c. Assume (i) that a Postal Service employee is performing a manual count to help a customer obtain a refund for postage paid BRM mailpieces, and (ii) while the

employee is so engaged, an IOCS tally is taken on that employee. Would that tally, and the costs associated with that tally, be charged to BRM?

NM/USPS-16.

In Docket No. R94-1, the rebuttal testimony of witness Donald L. Mallonee, Jr., USPS-RT-8, at p. 8, stated that

While BRMAS software is now resident on all Postal Service bar code sorters, it does not currently interface effectively with the MMC DBCS software and therefore cannot be used to count and rate BRMAS mailpieces.

- a. Is it still true that BRMAS does not interface effectively with MMC DBCS software?
- b. In Postal Service facilities that are equipped only with MMC machines, please describe how BRMAS mail is handled.

NM/USPS-17.

In Docket No. R94-1, the rebuttal testimony of witness Donald L. Mallonee, Jr., USPS-RT-8, at p. 8, fn. 5, stated that

665,010,200 [pieces] divided by 64,244 BRMAS accounts (assuming half of the BRM advance deposit accounts are for BRMAS) divided by 312 days per year (6 days a week) = 33.18 pieces per account/day.

- a. Does the Postal Service have any data that show the distribution of the volume of BRM mail by account? To illustrate the type of data desired, how many BRM accounts received more than 1,000,000 pieces per year; how many accounts received between 100,000 and 1,000,000 pieces per year; and how many received less than 100,000 pieces per year? Please provide all BRM distribution data, whether in the above size ranges or any other size ranges, that are in the possession of the Postal Service for the last three fiscal years. If no such data exist, please so state.

- b. Please provide the basis for witness Mallonee's assumption that "half of the BRM advance deposit accounts are for BRMAS." If any kind of surveys or other data underlie this statement, please identify them and provide copies thereof.

NM/USPS-18.

In Docket No. R94-1, the rebuttal testimony of witness Donald L. Mallonee, Jr., USPS-RT-8, at pp. 8-9, stated that

Seasonal fluctuations in BRM volumes produce a further reduction in volume for some days. Sites may not choose to repeatedly change their distribution, counting and rating procedures as individual BRMAS customer volume fluctuates. Instead these sites would use manual counting of BRMAS mailpieces. (fn. omitted)

- a. Please confirm that the above statement is as true today as when it was written. If you are unable to confirm, please explain fully and cite all circumstances that have

changed with respect to the way the Postal Service handles BRM accounts with fluctuating low volume.

- b. What is the volume level (or range of volume) below which sites would generally use manual counting of BRMAS mailpieces?

- c. Is it a correct interpretation of the above-quoted statement that for some BRM accounts the Postal Service may generate automated BRMAS statements on some days of the year, and on other days of the year opt to use manual counting of the BRMAS mailpieces? If so, does the Postal Service nevertheless always charge such accounts the barcoded fee of 2 cents per piece, or does it charge the 10 cents per-piece fee when the volume is so low that it is more economical to count the pieces manually? If the fee does not depend on the way the mail is actually handled, please explain fully all reasons why not.

NM/USPS-19.

In Docket No. R94-1, the rebuttal testimony of witness Donald L. Mallonee, Jr., USPS-RT-8, at p. 9, stated that

As plants developed BRMAS sort programs they discovered that many bar code sorter stackers received minimal volumes. Consequently, the BRMAS report generation process, combined with the time used to process BRMAS mail pieces, actually took longer and used more resources than did the manual sorting, counting, and billing system used prior to BRMAS implementation. (fn. omitted)

- a. Please define the term "minimal volumes" as used here.
- b. Please confirm that the above statement is as true today as when it was written. If you are unable to confirm, please explain fully and cite all circumstances that have changed with respect to BRMAS accounts with low – or "minimal" – volume.
- c. Please explain fully why the Postal Service and the DMM do not require a minimum volume of incoming BRM mail in order to qualify for the BRMAS rate.

NM/USPS-20.

For purposes of your answer to this question, please make the following assumptions:

- i. pre-barcoded BRMAS mail is segregated into separate sorter stackers for purposes of generating a "bill" for each customer;
- ii. a number of the sorter stackers contain a volume of mail just above the minimum level necessary to justify automated processing (*i.e.*, the minimum level which you identified in the response to preceding interrogatory NM/USPS-19);
- iii. after the "bill" is prepared and the mail is removed from the sorter stacker, the mail must be "street" delivered by the carrier (*i.e.*, the low volume does not justify a plant pick up by the customer); and
- iv. the carrier receives non-BRM letter mail presorted on either a DBCS or a CSBCS.

Please describe fully how BRMAS mail is integrated with other letter mail for delivery, including whether the BRMAS pieces are inserted manually, sorted into route sequence on automated equipment, or handled some other way. If the procedure differs based on whether a DBCS or CSBCS is used, please explain fully.

NM/USPS-21.

In Docket No. R94-1, the Postal Service submitted rebuttal testimony of Hien D. Pham, USPS-RT-7. In that testimony, at p. 3, witness Pham stated that at the time he

made that forecast [i.e., his original forecast in 1990], the BRMAS program was given high visibility and priority, and had full support from top Postal Management with a national coordinator assigned at Headquarters. . . . [S]ince then, the Postal Service has undergone an extensive restructuring [and] there no longer was a Coordinator at Headquarters.

- a. Does it continue to be true that Postal Service Headquarters does not have a BRMAS coordinator? Or have any of the Headquarters reorganizations and reassignments that have occurred since 1994 reinstated the role of BRMAS coordinator?
- b. Does anyone at Postal Service Headquarters have BRM and BRMAS responsibilities assigned to them that, in essence, amount to a full-time assignment? If so, how many have such full-time assignment?

- c. Does anyone at Postal Service Headquarters have BRM and BRMAS responsibilities assigned to them that, in essence, amount to at least a half-time assignment? If so, how many have such half-time assignment?

- d. Does it also continue to be true, as stated by witness Pham, that "the [BRMAS] program no longer generates the same level of interest and responsiveness from the field"?

- e. What, if anything, has the Postal Service done since 1994 to improve the deplorable status of the BRMAS program as described by witness Pham at p. 3 of his rebuttal testimony?

NM/USPS-22.

In Docket No. R94-1, the Postal Service submitted rebuttal testimony of Hien D. Pham, USPS-RT-7. In that testimony, at p. 5, witness Pham stated that

the BRMAS operation performs the counting, rating and billing of BRM pieces, which in fact constitute the special service features of BRM, above and beyond those pertaining to regular First-Class Mail.

- a. Does the BRM special service have any distinguishing features other than counting, rating and billing? If so, please enumerate all other distinguishing features.

- b. Please confirm that the fee which mailers pay for BRM is based on the attributable costs which the Postal Service incurs to count, rate and bill BRM pieces, and which according to witness Pham, "constitute the unique special service features of BRM, above and beyond those pertaining to regular First-Class Mail." If you do not confirm, please explain fully the basis for the per-piece BRM fees.

NM/USPS-23.

For Base Year 1995, what was the total cost attributed to BRM?

NM/USPS-24.

- a. Does the Postal Service use the IOCS to determine attributable costs of BRM?
- b. If the answer to the preceding question is affirmative, please describe the activities tallied as chargeable to BRM, and state the total number of tallies used to determine BRM attributable costs in Base Year 1995.
- c. Does the Postal Service use any information other than, or in addition to, IOCS tallies to determine BRM attributable costs? If so, please describe fully and state how attributable costs of BRM are determined.

NM/USPS-25.

- a. With respect to the fees paid by BRM users with an active business reply advance deposit account, in Base year 1995 did the 10 cent per-piece fee for "other" pieces (i.e., pieces not pre-barcoded) on average cover all attributable costs of such other pieces?

- b. With respect to the fees paid by BRM users with an active business reply advance deposit account, in Base Year 1995 did the 10 cent per-piece fee for "other" pieces (i.e., pieces not pre-barcoded) cover all attributable costs of such other pieces when they are handled and counted individually by USPS employees?

- c. If the answer to either of the preceding questions is negative, please provide all evidence on which the Postal Service relies to show that the BRM fee of 10 cents per piece does not cover attributable costs, either on average or when BRM pieces are handled and counted individually by USPS employees.

- d. Was the 10 cent per-piece BRM fee designed to cover all attributable costs when non-barcoded BRM pieces are handled and counted individually? Unless the answer is an unqualified affirmative, please state the costs that the 10 cent fee was designed to cover.

NM/USPS-26.

- a. Is it the Postal Service view that BRM fees derived from the 10 cent per-piece fee for "other" (non-pre-barcoded and/or non-machineable) pieces with advance deposit account should be used to cover attributable costs associated with pre-barcoded pieces?
- b. Unless the answer to the preceding question is an unqualified negative, please (i) state fully all circumstances that justify a higher fee for some BRM to cover attributable costs of other BRM that pays a lower fee, and (ii) explain whether such a practice constitutes good rate design.

NM/USPS-27.

With respect to "other" BRM pieces (i.e., pieces not pre-barcoded and/or not machineable), does the Postal service have in place any established procedures designed to avoid handling and accounting for each BRM piece individually? Unless your answer is an unqualified negative, please describe each such procedure and provide citations to the DMM or a library reference with all applicable instructions for use and implementation of each such procedure by post offices and field personnel.

Revenues From Special Services
(000)

Fee Sched. SS-	1993 Actual
1. Address corrections	42,952
2. Business Reply Mail	122,500
4. Certificates of Mailing	5,680
5. Certified Mail	414,499
6. COD	20,268
8. Money Orders	216,600
9. Insurance	52,020
10. Box/Caller Service	490,969
11a. Zip code mail lists	--
11b. Correct mail lists	--
11c. Address changes for Election Bds & Reg Comms.	--
11d. Arrange address cards in carrier delivery sequence	--
12. On-site meter setting	3,542
13. Parcel air lift	199
14. Registry	130,358
15. Restricted delivery	1,472
16. Return Receipts	186,938
17. Special Delivery	2,400
18. Special Handling	839
19. Stamped Envelopes	27,999
20. Merchandise return	--
-- Permit-Imprint Fee	7,808

TOTAL	1,727,043