

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

SPECIAL SERVICES REFORM, 1996

Docket No. MC96-3

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO PRC ORDER NO. 1131
(August 23, 1996)

In accordance with PRC Order No. 1131 (August 20, 1996), the United States Postal Service respectfully submits this pleading to supplement its Motion For Reconsideration of PRC Order No. 1129 (August 16, 1996) and its Motion For Relief From Obligation To Respond To Nashua/Mystic Interrogatories NM/USPS-8-27 (August 19, 1996).

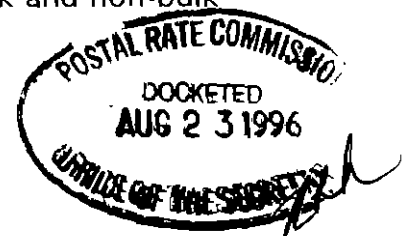
At pages 2-3 of PRC Order No. 1131, the Commission invites the Postal Service to show

that the scope of Nashua/Mystic's inquiries is significantly broader than initially outlined in their motion to enlarge;

that information responsive to Nashua/Mystic's broader inquiries would not be available until the conclusion of the Postal Service's investigation; and

what information sought by Nashua/Mystic is not currently available, but is likely to become available at the conclusion of that investigation.

The Order also directs the Postal Service to include the beginning and scheduled ending date of the Postal Service's current investigation, a description of the resources being devoted to it, and a concrete description of its scope, including whether it extends to an examination of the relative costs of bulk and non-bulk



BRM processing or the administrative tasks that a bulk BRM rate category is likely to require. The Postal Service offers such a showing and responds to these directives below.

Earlier this year, postal management organized a cross-functional task force to review Business Reply Mail and, if necessary, to propose the re-engineering of the Business Reply Mail product line. Currently, the task force includes managers and/or other representatives from the following departments at USPS

Headquarters:

Finance: Revenue Assurance; Cost Studies, Product Finance
Marketing Systems : Product Development; Business Mail Acceptance;
Customer Information, Product Support
Engineering: Recognition Systems; Software Development
Operations Support: In-Plant Operations, P&DC Operations

The task force also includes management and operations personnel from the field.

The goals of the task force are to analyze BRM and to recommend solutions to senior management which are aimed at improving customer satisfaction, enhancing financial performance, increasing productivity, and reducing workhours. The task force plans to assess current BRM processing and accounting practices in the field and to recommend necessary changes. It will explore potential opportunities for new markets, worksharing initiatives, and new products and services -- including alternative methods of BRM processing and billing such as "reverse manifesting" and "weighing/piece conversion."¹ In support of the work of this task force, the Postal Service intends to undertake a study of BRM costs. Organization of that

¹ At this time, the Postal Service has yet to determine whether the alternatives it plans to study include any which will conform precisely to the terms of Nashua's classification proposal.

particular project currently is underway.

Presently, the Postal Service is unable to project a detailed timetable for the performance of specific elements of this comprehensive internal review. The Postal Service anticipates that the core work of the task force will be completed as early as the end of the calendar year.² As indicated in the July 16, 1996, Motion For Reconsideration (page 5), one objective of the task force is to determine whether to recommend that management request authority from the Board of Governors to file a Request with the Commission for recommendations on specific BRM fee and classification changes.

We note that a separate working group in this effort consists of postal managers and operations personnel and representatives from both Nashua and Mystic. This working group, which met most recently on July 26, 1996, was established in response to overtures made by Nashua/Mystic shortly before the filing of the Request in Docket No. MC96-3, exploring the possibility of the Postal Service's Request in this docket expanding to include Nashua/Mystic's specific proposals for Business Reply Mail.³

This bifurcated approach to reform being pursued both outside of and within this docket raises questions regarding the optimal use of the Postal Service's and the Commission's independent, but limited resources. In particular, pursuing BRM

² Statement Of United States Postal Service On Plans For Business Reply Mail Reform (July 19, 1996).

³ For a variety of reasons, Nashua/Mystic's suggestion that the scope of the Postal Service's Request be expanded was determined to be infeasible.

classification reform piecemeal in adversarial litigation, either in Docket No. MC96-3 or a separate docket initiated by the Commission, could conflict with the ability of the working group to continue to informally examine and resolve BRM-related fee and classification issues.⁴

In light of the current state of information about Business Reply Mail costs (or the costs and other implications of potential BRM reform proposals), and considering the potential progress which may be achieved by both the Nashua/Mystic/USPS working group and the internal management task force, the Postal Service believes that its and the Commission's resources would be better utilized if the Commission were to defer consideration of BRM fee and classification issues until such time as the working group and the task force have an opportunity to complete their respective missions.

At page 2, PRC Order No. 1131 requests that the Postal Service identify which information currently sought by Nashua/Mystic through discovery in this proceeding "would not become available until the conclusion of the Postal Service's current investigations of BRM." A review of the 65 Nashua/Mystic interrogatories directed to the Postal Service suggests that a significant number of questions seek information generally of the type that might be developed through surveys or studies prepared by the Postal Service in anticipation of filing a Request

⁴ In addition, as indicated in the August 16, 1996, Motion For Reconsideration Of PRC Order No. 1129, the Postal Service is concerned that the current litigation of BRM-related issues may have a chilling effect upon the work of its internal BRM task force.

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for changes in BRM fees or classifications. As the Postal Service did not prepare any BRM-related studies in anticipation of Docket No. MC96-3, the data sought by Nashua/Mystic generally have not been developed.⁵ In response to the Commission's directive, the Postal Service identifies the following Nashua/Mystic interrogatories as requesting information which is unavailable and of the type which ordinarily would be prepared only in anticipation of Commission litigation: NM/USPS-9, 11-19, 21, 22, 26, 28-35, 54-55, 58, and 63.⁶

At page 4 of their July 15, 1996, Motion to Enlarge, Nashua/Mystic suggest that the Domestic Mail Classification Schedule change that they would propose

is a relatively simple one, whereby the DMCS Classification Schedule SS-2 provisions describing Business Reply Mail would not necessarily be modified at all, and Rate Schedule SS-2 of the DMCS would merely be modified in such a way that a BRMAS-type discount would be extended to comparable low-cost non-automatable mail, and is not limited to mail that is prebarcoded and automatable. Specifically, Rate Schedule SS-2 of the DMCS provides for two rates with respect to advance deposit account BRM: one rate for "prebarcoded," and one rate for "other." Nashua and Mystic propose that a third category be added, for "non-automatable bulk" as defined by the Postal Service (in the DMM), and that a lower BRMAS type rate be extended to this category.

Notwithstanding this description of the objective Nashua/Mystic seeks to

⁵ As the exact nature and scope of the aforementioned study of BRM-related costs has yet to be determined, the Postal Service is unable to represent that it will generate information specifically responsive to Nashua/Mystic interrogatories currently at issue in Docket No. MC96-3.

⁶ Further examination by the Postal Service may identify several more interrogatories which could be said to fall within this category. It should be emphasized that the Postal Service does not represent here that the specific data requested in these Nashua/Mystic interrogatories would be prepared in connection with a future filing, only that the requested information is of the type that would be prepared.

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accomplish, the interrogatories that have been filed do not appear to be limited to the scope of their proposal.

Interrogatories NM/USPS-1 through 3 seek clarification of documents filed in Docket No. R94-1 which pertained to FY 1993. Interrogatories NM/USPS-4 through 6 seek information on special service revenues, including many services beyond the scope of Docket No. MC96-3 (whether or not this docket encompasses Business Reply Mail). Interrogatory NM/USPS-7 seeks an explanation of and data underlying a portion of the speech delivered by USPS Chief Operating Officer and Executive Vice-President William Henderson at the Postal Forum in April, 1996, which bears no relation to Business Reply Mail or the other special services at issue in this proceeding. It also seeks information well beyond the test year in this proceeding. Interrogatory NM/USPS-8 is not limited in its scope to "non-automatable bulk" BRM and, by its very terms, requires comprehensive BRM cost data to assess whether such mail is "low-cost."

The focus of interrogatories NM/USPS 11, 13, 14, 16, 17, 18 and 20 is not "non-automatable bulk" BRM, but automatable BRM. Interrogatories NM/USPS-12 and 21 seek to explore the history of USPS management coordination of BRMAS, a subject which is irrelevant to the Nashua/Mystic classification proposal. NM/USPS-15 is a query about the performance of manual counts of postage paid mail pieces presented for refund, and the relationship of such activity to the In-Office Cost System. A number of these interrogatories and others also seek to re-hash portions of rebuttal testimony that was proffered but was struck from the

record in Docket No. R94-1.

Interrogatories NM/USPS-25, 26 and 28-35 inquire about BRM mail processing operations, costs, rate design and customer profiles, all of which are matters which require an examination of costs and rate policy and a survey of the BRM customer base. Such data do not currently exist, but are of a type which may emerge from the work of the task force.

Interrogatory NM/USPS-31 asks the Postal Service to provide a critique of a roughly sketched-out hypothetical new fee structure for new categories of BRM.

Interrogatories NM/USPS-32 and 33 ask for postal mail processing cost studies tailored to fit the mail of particular mailers, namely Nashua and Mystic.

Few, if any, of the interrogatories filed on August 13, 1996, (Nashua/Mystic 37 through 65) can be said to pertain to "non-automatable" Business Reply Mail, which is supposedly the focus of the Nashua/Mystic classification proposal.

However narrowly Nashua/Mystic may define the scope of a classification change proposal which, presumably, would benefit them, they are but two mailers in a diverse BRM universe. Without the results of a comprehensive investigation of BRM, it is not clear what implications the Nashua/Mystic proposal -- or one like it -- may have for BRM mail processing operations, accounting practices, costs and revenues, or on related mail classes, postal services, operations and practices. Furthermore, the fragmented state of the record, as it pertains to Business Reply Mail in Docket No. R94-1, does not serve as an optimal platform from which to launch BRM classification or fee proposals. With the prospect of more current and

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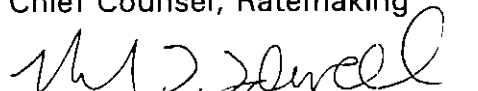
reliable data developing from the work of the Postal Service's ongoing internal management review, it seems that an exploration of the Nashua/Mystic proposal at this time would be, at best, premature.

Based upon the foregoing considerations, the Postal Service requests that the Commission reconsider its Order No. 1129 and conclude that Docket No. MC96-3 should not be expanded to include consideration of the Nashua/Mystic BRM proposal. Alternatively, the Postal Service requests that, based on its authority under §3623(b), the Commission should create a separate docket for consideration of the Nashua/Mystic proposal. If the Commission elects this latter alternative, it should also consider deferring discovery on the Postal Service regarding BRM-related issues until the Nashua/Mystic/USPS working group and the internal management task force have completed their respective missions.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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August 23, 1996

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CERTIFICATE OF SERVICE

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



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