

ORIGINAL

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

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF
NASHUA PHOTO, INC. AND MYSTIC COLOR LAB
(NM/USPS-28-36)

The United States Postal Service hereby provides responses to the following interrogatories of Nashua Photo, Inc., and Mystic Color Lab: NM/USPS 28-36, filed on August 12, 1996.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

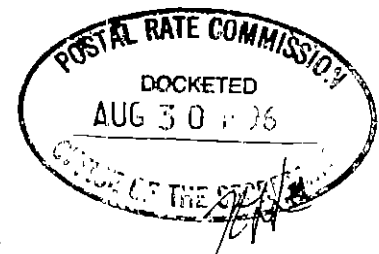
By its attorneys:

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August 30, 1996



RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC

NM/USPS-28.

- a. For FY 1995 (or the most recent year prior to 1995 if data are not available for 1995), of those mailers that used BRM and maintained an advance deposit account, how many or what percentage did not qualify for the BRMAS rate because their mail was non-automatable?
- b. Please state the other most important reasons why mailers that used BRM and maintained an advance deposit account did not qualify for the BRMAS rate.

RESPONSE:

- a. & b. The Postal Service has not performed studies or surveys since Docket No. R94-1 which have generated data or information which would permit it to respond to these interrogatories.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC

NM/USPS-29.

For those mailers that (i) use BRM, (ii) maintain an advance deposit account, but (iii) do not qualify for the BRMAS rate, please indicate

- a. the nature of the business or type of industry in which most such mailers are engaged (or which account for the largest share of BRM mail that does not qualify for the BRMAS rate);
- b. the most common types of mail (*e.g.*, flats, small parcels, etc.); and
- c. the range within which the annual volumes of such BRM mail would be expected to fall for a typical BRM user.

RESPONSE:

- a. - c. The Postal Service has not performed studies or surveys since Docket No. R94-1 which have generated data or information which would permit it to respond to these interrogatories.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC

NM/USPS-30.

For those mailers that (i) use BRM, (ii) maintain an advance deposit account, but (iii) do not qualify for the BRMAS rate, please indicate

- a. the number or percentage of such mailers for whom the Postal Service weighs and/or accounts for each incoming piece of BRM separately;
- b. the number or percentage of such mailers for whom the Postal Service (or the mailer) uses some form of "weight averaging" to estimate the postage and BRM fees due (*e.g.*, where a sample is weighed and rated and the results are then applied to the total weight of incoming mail);
- c. the number or percentage of such mailers for whom the Postal Service permits the mailer to prepare some form of incoming manifest system to estimate the postage and BRM fees due; and
- d. the number or percentage of such mailers for whom the Postal Service (or the mailer) estimates the total revenue due the Postal Service in some other manner that is designed to avoid the handling and accounting for BRM as individual pieces. Please provide a brief description of such other methods known to be in use.

RESPONSE:

- a. - d. The Postal Service has not performed an operation survey which would permit it to respond to these interrogatories.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC

NM/USPS-31.

Please consider the Postal Service's offering of a new, lower rate for bulk non-automatable, non-barcoded Business Reply Mail where alternative handling and verification procedures are utilized, thereby avoiding individual processing of pieces (such as the incoming manifesting system used for Nashua's mail, and the weight averaging system used for Mystic's mail).

- a. Please identify any operational problems created by the offering of such a rate and new product.
- b. Would offering such a product create an unacceptable increase in the complexity of BRM rates or products?
- c. Assuming that the Postal Service's costs of such product are properly identified and measured, and an appropriate rate is charged, please identify all arguments against such a proposal.
- d. Please identify the factors that should be considered in determining the minimum volumes, as well as the period over which such minimum volumes are applied, for a mailer to qualify for such a bulk service.

RESPONSE:

- a. - c. The Postal Service assumes that if it were, in fact, offering the hypothetical service described in the interrogatory, a necessary prerequisite to that offering would be a decision by the Governors (presumably accepting a Commission recommendation) which implied that material operational issues were not anticipated, that rate complexity did not present a significant problem, and that arguments against the proposal did not outweigh the arguments in its favor.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC

NM/USPS-31. (RESPONSE cont'd:)

- d. Presumably, these details (which are absent from the hypothetical) would be reflected in the hypothetical recommendation of the Commission or the hypothetical decision of the Governors.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC**

NM/USPS-32.

Please identify all recurring and nonrecurring per-piece costs incurred by the Postal Service associated with Nashua's use of Business Reply Mail.

RESPONSE:

The Postal Service has not performed a study which has generated data or information which would permit it to respond to this interrogatory.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC**

NM/USPS-33.

Please identify all recurring and nonrecurring per-piece costs incurred by the Postal Service with respect to Mystic's use of Business Reply Mail.

RESPONSE:

The Postal Service has not performed a study which has generated data or information which would permit it to respond to this interrogatory.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC**

NM/USPS-34.

With respect to Nashua's manifesting system for incoming BRM, what degree of accuracy is considered to be minimally acceptable? What degree of accuracy has been obtained thus far, and what changes can be made to increase that degree of accuracy, if necessary?

RESPONSE:

To the extent possible, the current arrangement was designed to meet the criteria in USPS Publication 401, Guide To The Manifest Mailing System. The attached documents reflect analysis which took place in October, 1995, as well as June and July, 1996. The Postal Service has not determined a final standard for minimally acceptable BRM reverse manifesting system performance, nor has it determined what changes can be made to the process currently employed by Nashua to increase its accuracy.

Analysis

During June there were postage adjustments 19 days (17 underpayments/2 overpayments and no adjustments on 11 days).

Adjustments for 12 of the 17 days were calculated at the time of this report. The average postage adjustment for June was about \$[REDACTED]. Overall the adjustments resulted in Nashua paying approximately 4% additional postage over the total amounts shown on their BRM reports.

Since the October sampling the overall errors have been reduced from 20.2% to 16.3%. Missing piece errors have been virtually eliminated. We still have a slight problem with No BRM Price pieces. These are pieces that are in the system, but were not identified as BRM pieces by the operator during the input of the order. Nashua contends this is due to customers detaching "old" envelopes with "old" prices (and no BRM media code) and using these for their orders. These errors only represent 2.2% of the pieces being returned, but just coming across one in a 50-piece sampling will normally result in a postage adjustment.

Nearly 75% of the errors involve mistakes by the operators when indicating whether there was a film canister in the order. By the operator saying there is a canister when there isn't will result in a .43 (actual) / .55 (manifest) error. By saying there isn't a canister when there is one in the order will result in a .55 (actual) / .43 (manifest) error. Several of the other piece weight discrepancies also appear to be caused by errors surrounding the existence of a film canister in the order. Overall, most of the decrease in the number of errors came in this category so Nashua has made some progress, but not nearly enough.

The remaining approximate 7% of errors involved piece weight discrepancies of 0.1 of an ounce or less. These are probably due to minute differences in predetermined weights and are unlikely to be corrected. They appear to be evenly spread between Nashua's favor and the Postal Service's favor and only represent less than 1% of the total pieces in the BRM universe. We could live with these.

Below is some volume/revenue trend analysis based on June '96 BRM activity:

Daily Average Volume - [REDACTED] pieces ([REDACTED] million annually)
Daily Average Revenue (includes postage and BRM fees) - [REDACTED] ([REDACTED] million annually)
Daily Average BRM fees ([REDACTED] pcs. X \$0.10) - [REDACTED] ([REDACTED] annually)
Daily Average BRM fees if under BRMAS ([REDACTED] pcs. X \$0.02) - [REDACTED] ([REDACTED])
Daily Average BRM fee savings if under BRMAS - [REDACTED] ([REDACTED])

Over 85% of Nashua's film orders are BRM. When the program was implemented in October of '94 only about 15% of their volume was BRM.

NASHUA PHOTO BRM - ACTUAL VS MMS

Date	.43/.55	.55/.43	.55/1.01	.78/.55	.78/1.01	.43/.32	Missing	No BRM	Totals
10/16	5	5		3				1	14/36
10/17	3	3					1		7/43
10/18	4	6						2	12/38
10/19	3	4							7/43
10/20	2	1							3/47
10/21	2	3					1	2	8/42
10/22	1	1	1	1	1	2			7/43
10/23	5	1		3	1			3	13/37
10/24	3	8							11/39
10/25		7		1					8/42
10/26	6	2			1		1	1	11/19
Total	34	41	1	8	3	2	3	9	101/449
	(6.8%)	(8.2%)	(0.2%)	(1.6%)	(0.6%)	(0.4%)	(0.6%)	(1.8%)	(20.2%)

Of the 101 pieces (20.2%) in error - 57% of the errors are in Nashua's favor
 43% of the errors are in USPS's favor

88% of the total errors are due to incorrect piece weights-
 76% of the errors are +/- 0.1 ounces
 21% of the errors are +/- 0.2 ounces
 3% of the errors are greater than +/-0.2

12% of the total errors are due to missing (3) or incorrect (non-BRM) media codes(9)

NASHUA PHOTO BRM - ACTUAL VS MMS

Date	.43/.55	.55/.78	.78/1.01	.55/.43	.78/.55	1.01/.78	Misc.	No BRM Price	Totals 50 Piece Sample
6/1	2			9	2			1	14-36
6/2	6	1	1	5	1			2	16-34
6/3	6	3		3			1	3	16-34
6/4			1	2					3-48
6/5	1			3				2	6-44
6/6	3		2					3	8-42
6/7		1		1		1		1	4-46
6/8	4	2		5			3		14-36
6/9	1	4	1	2				2	10-40
6/10	2	1		2	1				6-44
6/11	1			2				1	4-46
6/12	1			2				1	4-46
6/13	2			2					4-46
6/14				7	3			1	11-39
6/15	5			5				1	11-39
6/16	1			2				1	4-46
6/17	1			3		1			5-45
6/18	4			4					8-42
6/19	3							2	5-45
6/20	5	1		3				1	10-40
Totals	48	13	5	62	7	2	4	22	163-337

JUNE: (4.8%) (1.3%) (0.5%) (6.2%) (0.7%) (0.2%) (0.4%) (2.2%) (16.3%)
 OCT: (6.8%) (0%) (0.6%) (8.2%) (1.6%) (0.6%) (1.0%) (1.8%) (20.2%)

(October '95 sampling percentages are in italic above.)

Of the 163 pieces (16.3%) in error - 58% of the errors were in Nashua's favor (57% in October)
 42% of the errors were in the Postal Service's favor (43% in October)

NASHUA PHOTO BRM - ACTUAL VS MMS

Date	.43/.55	.55/.78	.78/1.01	.55/.43	.78/.55	1.01/.78	Misc.	No BRM Price	Totals Errors/ Correct
July	10	5		9	1		2	4	31-508
June	48	13	5	62	7	2	4	22	163-837
Oct	34		3	41	8		6	9	101-449

539 Piece Sample

JULY '96 (1.8%) (0.9%) -- (1.7%) (0.2%) -- (0.4%) (0.7%) (5.7%)

1000 Piece Sample

JUNE '96 (4.8%) (1.3%) (0.5%) (6.2%) (0.7%) (0.2%) (0.4%) (2.2%) (16.3%)

550 Piece Sample

OCT '95 (6.8%) (0%) (0.6%) (8.2%) (1.6%) (0.6%) (1.0%) (1.8%) (20.2%)

DETAILED LISTING JULY SAMPLING ERRORS

Actual Weight	MMS Weight	Postage	Difference
1. .958	1.05		+0.12
2. 921	1.02		+0.12
3. .901	1.52		+0.12
4. .878	1.01		+0.12
5. 923	1.05		+0.12
6. .935	1.04		+0.12
7. 1.06	.984		-0.12
8. 1.07	.984		-0.12
9. .959	1.02	+0.12	
10. 1.01	.950		-0.12
11. 1.02	.950		-0.12
12. 1.02	.978		-0.12
13. 960	1.04	+0.12	
14. 1.01	.984		-0.12
15. 1.68	.884		-0.12
16. 986	1.04	+0.12	
17. 1.61	.984		-0.12
18. 1.99	3 oz.	+0.23	
19. 1.96	3 oz.	+0.23	
20. 1.97	3 oz.	+0.23	
21. 1.17	NBRPrice		-0.65
22. 1.14	NBRPrice		-0.65
23. 883	NBRPrice		-0.53
24. .944	NBRPrice		-0.53
25. 854	Missing		-0.53
26. 895	Missing		-0.53
27. 1.96	3 Oz.	+0.23	
28. 1.02	.984		-0.12
29. .977	1.02	+0.12	
30. 1.94	3 oz.	+0.23	
31. 2.09	2 oz.		-0.23
TOTALS		+\$2.45	-\$4.73

Total Difference: -\$2.28
 Approximate Postage Total Sample: \$302.00
 Error Percentage: 0.7%

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC**

NM/USPS-35.

With respect to the weight averaging system used by the Postal Service to account for Mystic's BRM, what degree of accuracy is considered to be minimally acceptable? What degree of accuracy has been obtained thus far, and what changes can be made to increase that degree of accuracy, if necessary?

RESPONSE:

The Postal Service has not performed a study which has generated data or information which would permit it to respond to these questions.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC

NM/USPS-36.

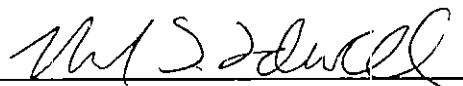
- a. Please confirm that BRMAS rates are currently charged even at locations where BRMAS mail is handled entirely manually (*i. e.*, not handled on automation).
- b. Please provide the Postal Service's best estimate of the percentage of BRMAS rate mail which is handled manually.
- c. Please explain the reasons supporting the eligibility of mail handled manually for BRMAS automation rates.

RESPONSE:

- a. Confirmed.
- b. Since Docket No. R94-1, the Postal Service has not performed a study which has generated data or information which would permit it to respond to this question.
- c. Current BRM fees and eligibility requirements are based upon the recommendations of the Commission in Docket No. R94-1 and the decision of the Board of Governors to implement those recommendations.

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.

A handwritten signature in black ink, appearing to read "Michael T Tidwell", written over a horizontal line.

Michael T Tidwell

475 L'Enfant Plaza West, S.W.
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August 30, 1996