

ORIGINAL

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

SPECIAL SERVICES REFORM, 1996

Docket No. MC96-

RECEIVED
SEP 23 4 47 PM '96
POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA/MYSTIC
(NM/USPS-37-65)

In accordance with Presiding Officer's Ruling No. MC96-3/10 (September 11, 1996), the United States Postal Service hereby provides responses to the following interrogatories of Nashua/Mystic, filed on August 13, 1996: NM/USPS-37 through 65.

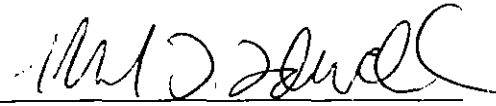
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



Michael T Tidwell

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2998; Fax -5402
September 23, 1996

POSTAL RATE COMMISSION
DOCKETED
SEP 23 1996
OFFICE OF THE SECRETARY

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

NM/USPS-37.

Attached to this interrogatory as Exhibit A is an article from the newsletter Postal World, April 22, 1996, which discusses an experimental special service said to be offered by the Postal Service and known as Prepaid Courtesy Reply Mail ("PCRM"). Please confirm that as of April 22, 1996, the date of the newsletter, the Postal Service was then offering a product similar or identical to the one described in the newsletter to at least one customer. If you do not confirm, please state whether the Postal Service has at any time during the last two years offered any such product to one or more customers.

RESPONSE:

The Postal Service confirms that it was, as of April 22, 1996, engaged in a test of prepaid First-Class Mail reply letters involving a utility company and its customers. The descriptions of the test which are reflected in the attachment are those of its author.

Postal World®

Vol. 20 No. 12

April 22, 1996

Streamlined reply nixes accounting fee

Here's an important new phrase: **Prepaid Courtesy Reply Mail (PCRM)**. It's being tested now by a major mailer to the tune of over 20,000 pieces/day. The reply envelope does not have postage preapplied -- it's prepaid to USPS -- just as with Business Reply Mail -- but there is one key difference: **No 2¢/piece BRMAS accounting fee**. Instead of USPS doing the accounting work, the mailer produces in-house statements for withdrawals from a trust account.

The test, confirmed by USPS Chief Ratemaking Counsel, Dan Fouchieux, has been ongoing with no scheduled end date, indicating the concept is receiving favorable reviews. Still, there is no guarantee PCRM will continue or will be made available after final evaluation by postal reg officials.

How it works: The test mailer has kept a close watch on average daily volumes of BRMAS mail for many years and has estimated how much money to put into the Prepaid Courtesy Reply Mail account. Monies are pulled from the account based on a simple postage verification method. The reply piece has a special barcode and FIM that keeps the stream pure and separate from other reply devices. The PCRM pieces are provided to the mailer in a lump group. All the tally work is done by the mailer using standard USPS weight-based accounting methods.

Benefit to test mailer: A daily savings of over \$500/day on the 2¢ accounting fee, plus far quicker access to incoming payments.

Benefit to USPS: There's no revenue loss and a major administrative thorn is removed.
(Continued on Page 2, Column 1)

mail center ops

Centralized mail query

As firms expand, re-engineer and re-examine all administrative services, including mail, there's a great opportunity for multi-site operations to benefit from centralized printing and mailing.

If your firm has sites linked by a network it's possible to transfer correspondence print activities from small branch offices to the HQ by wire. **The benefits:** Economies of scale can cut multi-site operating costs, slash postage and often increase mail delivery service quality.

If your organization has made such a move, we'd like to hear from you. Please call us at: 301-816-8950 x204, or fax, at: 301-816-8945. ☐

What's Inside

- Publications to ADVANCE into tracking Page 2
- Escaping NCCA limits for special address quality needs Page 2
- Site Report on the job with PBMS at The House Page 3
- Making the most of a merger by bagging \$167,020/18 Page 3
- Swatting five major regions' bugaboos Page 6

(PCRM: Continued from Page 1, Column 1)

Indeed, the mailer has found that by its own accounting it's paying slightly more postage than when USPS did the work.

Systemwide implications: The simple weighing technique used under this test could be replaced with something more sophisticated. Mailers who have bought MLOCR/barcode sorting equipment to sort and barcode outgoing pieces for discounts, could use the same equipment to produce full accounting manifests. The privately operated equipment is nearly the same as what USPS uses for BRMAS accounting.

We've also noted that in recent years MLOCR/barcoders are increasingly being used for sorting incoming reply pieces with either special barcodes on the backs or unique ZIP+4 barcodes.

Until now, all such mail has been strictly standard Courtesy Reply Mail and the sorts were done for internal reasons only. The advent of PCRM could take this existing technology to the next level. For instance, PCRM could open up a whole new revenue stream for presort bureaus who could share the saved costs with a variety of smaller mailers.☒

delivery quality monitoring

New ADVANCE rules ease use for 3C mail, add publications

By August, 2C/Periodicals can take advantage of ADVANCE, the Postal Service's electronic delivery notification program. ADVANCE has been available for carrier-route presorted 3C/Standard Mail for sometime.

ADVANCE allows participating mailers to track arrivals of carrier-route mail at Destination Delivery Units (DDU).

The rules for publications will be:

✓ **Carrier-route 3C/Standard Mail publications (to be delivered with a confirmation of arrival) will have a minimum quantity has not been set, but will not be fewer than 6 pieces, not more than 50 pieces. The likely target will be 15-20.**
✓ **There will be no minimum volume requirement for the mailing. This is to enable the small, local/region pubs to try out the service.**

In addition, USPS is making ADVANCE more appealing for 3C/Standard mail users by eliminating the 1,000 piece/5-digit requirement and switching to 50 pieces per carrier-route as the trigger. The switch will increase the number of confirmation reports by carrier-route about 200% over the old method for a 500,000-piece mailing.

Also, don't let the 500k minimum mailing requirement stop you. In special situations -- such as a high percentage of carrier-routed mail -- mailings as small as 25k can be tracked through to DDUs.

Want to be a participant? USPS especially needs periodical publishers for a test series of the expanded ADVANCE. Contact: Glen D. Cournoyer, ADVANCE, National Team Leader, USPS, 475 L'Enfant Plz SW Rm 7143, Washington, DC 20260-2806.☒

reclass shut out

NCOA has limits for some mailers

Under reclass, to qualify for 1C barcode discounts mailers must use National Change of Address/Address Correction Service, the address correction requested endorsement, FAST-FORWARD or other approved services.

WARNING: Copyright violations will be prosecuted. POSTAL WORLD shares 50% of the net proceeds of settlements or jury awards with individuals who provide essential evidence of illegal photocopying or electronic redistribution. To report violations, contact: Roger Klein, Esq., Howay & Simer, 1299 Pennsylvania Ave NW, Washington, DC 20004-2462. Confidential. TFO: (202) 383-6346. POSTAL WORLD is published weekly by United Communications Group, Suite 1100, 11600 Rockville Pike, Rockville, MD 20852-0300. Copyright © 1993. Subscriptions: \$367/one year, \$704/two years. Phone: (301) 816-6950; Editorial: (202) 383-6223; Fax: (301) 816-6945; Marcus Smith, editor/publisher; Bruce Levenson, Edwin Peskowitz, Chief Executive Officers. To receive photocopying or electronic redistribution permission, call (800) 929-4821, x333 and ask about our copyright waiver, bulk-subscription and site license programs! Or e-mail: cast_sve@ucg.com.

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

NM/USPS-38.

In what month and year did the Prepaid Courtesy Reply Mail experiment start?

RESPONSE:

June, 1995.

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

NM/USPS-39.

Since Docket No. R94-1, how many mailers have actually participated in the Prepaid Courtesy Reply Mail experiment?

RESPONSE:

One utility company and thousands of its customers.

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

NM/USPS-40.

How many mailers are currently authorized to participate in the Prepaid Courtesy Reply Mail experiment?

RESPONSE:

One.

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

NM/USPS-41.

How many mailers have requested authorization to participate in the Prepaid Courtesy Reply Mail experiment, but either have had their request denied or currently have their request pending?

RESPONSE:

A handful of other mailers have made inquiries and expressed interest, but none has followed-up with a request to participate.

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

NM/USPS-42.

Has the Postal Service established a limit on the number of mailers that will be allowed to participate in the Prepaid Courtesy Reply Mail experiment? Unless the answer is an unqualified negative, please indicate the maximum number.

RESPONSE:

No.

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

NM/USPS-43.

Has the Postal Service placed any other limitations on the mailers who will be allowed to participate (*e.g.*, size or location) in the Prepaid Courtesy Reply Mail experiment? If so, please indicate all such limitations.

RESPONSE:

No. The Postal Service wanted to conduct a trial of the administration and operations involved in applying the prepayment concept. The company that agreed to participate already had characteristics, mailing practices, and capabilities that established it as a good candidate for the test. Although the trial was initially undertaken as a prototype to evaluate the concept, rather than a broader arrangement involving other mailers, the Postal Service did not contemplate any preconceived limitations on the types of companies, firms, or individuals that might participate, if the concept was to be developed as a general undertaking. Rather, the focus has been on the characteristics of the mail and the context of the relationships that gave rise to the mailing activity. For example, the Postal Service considered machinability and automation-compatibility of mail pieces to be critical. It was also vital to limit the test to mail pieces which could be expected to be uniform and not in excess of an ounce in weight, so that issues related to additional-ounce mail could be avoided. The Postal Service favored

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

(Response to NM/USPS-43 continued)

close geographical proximity between entry and exit points for test mail. It also preferred to work with a mailer with a uniform, and fairly predictable monthly volume.

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

NM/USPS-44.

Is a minimum volume of mail required to participate in the Prepaid Courtesy Reply Mail experiment? If so, please state what minimum volume is required.

RESPONSE:

No specific minimum volume was contemplated as a precondition of the test that was undertaken, although it was expected that volumes could have a bearing on the results.

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

NM/USPS-45.

The Prepaid Courtesy Reply Mail experiment is being conducted under which section(s) of

- a. the Postal Reorganization Act;
- b. the DMCS; and
- c. the DMM?

RESPONSE:

The test is not being "conducted under" any specific section of the DMCS or DMM referring to this arrangement. The Postal Service's responsibilities, powers, and authorities under the Postal Reorganization Act (Title 39, United States Code) support its actions. See particularly, Chapter 1 of 39 U.S.C. (Postal Policy and Definitions), as well as Chapter 4 (General Authority).

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

NM/USPS-46.

Please explain why the Postal Service considered it inappropriate or premature to include in the current docket any DMCS classification changes pertinent to Prepaid Courtesy Reply Mail.

RESPONSE:

The Board of Governors authorized the Postal Service to include in its Request in this docket proposals pertaining to specific special services. The Board did not authorize a proposal to change the DMCS in any other respect.

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

NM/USPS-47.

- a. What is the time frame for the Prepaid Courtesy Reply Mail experiment? That is, please explain how long the Postal Service plans to continue the experiment before it is either made permanent or discontinued.
- b. Please explain the criteria that the Postal Service plans to use to evaluate whether the Prepaid Courtesy Reply Mail is a success and should be turned into a permanent offering.
- c. What is the earliest date at which the Postal Service contemplates offering Prepaid Courtesy Reply Mail to all qualified mailers (assuming that the experiment eventually is judged a success)?

RESPONSE:

- a. Although the test is currently being evaluated, no set "time frame" has been established. At present, the Postal Service and the participating mailer mutually expect it to continue through November 30, 1996.
- b. No specific "criteria" have been formulated to evaluate the test. The results will depend on a comprehensive assessment of the actual experience, including advantages and problems encountered.
- c. This question cannot be answered until a comprehensive evaluation of the test has been completed.

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

NM/USPS-48.

Where are the rules, regulations and other criteria for participating in the Prepaid Courtesy Reply Mail experiment published? Please supply as a library reference a copy of all rules, regulations, and criteria for participation that currently pertain to the Prepaid Courtesy Reply Mail experiment, regardless of whether published or unpublished.

RESPONSE:

The test has been governed by a memorandum of understanding between the Postal Service and the mailer. A copy of that memorandum has been filed as Library Reference SSR-149.

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

NM/USPS-49.

- a. Have the Board of Governors, MTAC, or any mailer group been given a formal briefing on the Prepaid Courtesy Reply Mail experiment? If so, please provide as a library reference a copy of all charts and exhibits used in that presentation.
- b. Has the Prepaid Courtesy Reply Mail experiment been approved by a resolution (or any other vote) of the Board of Governors? If so, please provide a copy of that resolution as a library reference.
- c. If the Prepaid Courtesy Reply Mail experiment was not approved by the Board of Governors, please explain the source of authorization for the Prepaid Courtesy Reply Mail experiment.

RESPONSE:

The USPS Board of Governors was informed of the test in a closed session at its March, 1995, meeting. Attached to this response is a copy of the pertinent part of the briefing outline shown to the Governors. Although the discussions of the Board in a closed meeting are confidential and privileged, the test was described to the Board as involving a joint arrangement with a mailer who would prepay the First-Class Mail rate for special, pre-approved envelopes that it provided to its utility customers. The mailer would perform accounting functions based on its records to establish the amount of postage. The Board took no specific action pursuant to this briefing.



Other Issues

- **Consumer Benefits**



- **Joint Test of Prepaid Reply Mail (with Brooklyn Union Gas)**



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

NM/USPS-50.

Did the mailers who have participated in the Prepaid Courtesy Reply Mail experiment use BRM, or any other form of prepaid mail, prior to using Prepaid Courtesy Reply Mail?

RESPONSE:

The mailer participating in the test has continued to use BRM throughout the duration of the test.

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

NM/USPS-51.

- a. In FY 1995, what volume of mail did the Postal Service carry under the Prepaid Courtesy Reply Mail experiment?
- b. In FY 1996, what volume of mail does the Postal Service anticipate carrying under the Prepaid Courtesy Reply Mail experiment?

RESPONSE:

Since the volumes involved are those of a specific Postal Service customer, which both the Postal Service and the customer consider to be privileged, the Postal Service will make the volumes available subject to protective conditions agreed to by the Postal Service, the participating mailer, and interested parties.

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

NM/USPS-52.

Please explain all factors that, in the opinion of the Postal Service, critically distinguish Prepaid Courtesy Reply Mail from BRMAS mail:

- a. From the perspective of participating mailers; and
- b. From the perspective of the Postal Service.

RESPONSE:

The "perspective of the participating mailer" would have to be explained by the mailer. The "critical" distinction is that BRMAS is a category of a permanent special service in the DMCS. The test is a cooperative effort between the Postal Service and the participating mailer to evaluate the concept and feasibility of prepayment of First-Class Mail postage in the circumstances involved in the trial.

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

NM/USPS-53.

- a. Does the Postal Service consider Prepaid Courtesy Reply Mail to be a "Special Service" similar to BRM?
- b. Regardless of whether the answer is affirmative or negative, please explain the way the Postal Service classifies Prepaid Courtesy Reply Mail, and provide the rationale for that classification.

RESPONSE:

No. See the response to NM/USPS-52. The test is not a classification.

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

NM/USPS-54.

Does Prepaid Courtesy Reply Mail cause the Postal Service to incur any costs by virtue of any special handling or other characteristics? When handling Prepaid Courtesy Reply Mail, please describe the nature of all costs which the Postal Service incurs that are different from or are in addition to the normal costs of handling First-Class Mail in prebarcoded courtesy reply envelopes with postage affixed by the sender rather than being paid by the addressee.

RESPONSE:

The Postal Service has not completed a study which would indicate whether it incurs any costs by virtue of any special handling or other characteristics of the test pieces. Nor has it completed a study which would indicate whether there are costs which are different from or in addition to the normal costs of handling First-Class Mail in prebarcoded courtesy reply envelopes with postage affixed by the sender rather than being paid by the addressee.

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

NM/USPS-55.

Does Prepaid Courtesy Reply Mail enable the Postal Service to avoid any costs that it incurs when handling BRMAS-qualified BRM? Please describe fully all costs avoided by the Postal Service and all worksharing activities performed by the recipients of Prepaid Courtesy Reply Mail that enable the avoidance of those costs.

RESPONSE:

The Postal Service has not completed a study which measures the cost associated with its processing and handling and administration of BRM pieces vs. its processing and handling and administration of test pieces. Therefore, the Postal Service is unable to state whether there are cost differences and, if so, what their magnitude might be.

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

NM/USPS-56.

List each rate that has been and each rate that is now charged for Prepaid Courtesy Reply Mail. If no rate is charged, please describe fully the Postal Service's rationale for not charging a per-piece fee for Prepaid Courtesy Reply Mail. If a fee is charged, please state the basis used to determine the fee.

RESPONSE:

Each test piece is charged 32 cents, the rate for the first ounce of a First-Class Mail letter.

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

NM/USPS-57.

- a. Please specify all annual or intermittently recurring fees (*e.g.*, permit fee, deposit account fee, etc.), including the amount, that the Postal Service charges each mailer who participates in the Prepaid Courtesy Reply Mail experiment.
- b. If the fees specified in response to preceding part (a) differ from the fees for BRM mail (BRMAS accounts), please explain fully the rationale for the different fees.

RESPONSE:

The mailer participating in the test continues to use BRM and continues to pay all appropriate BRM permit and deposit account fees. No separate fee is charged to the mailer for participating in the test.

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

NM/USPS-58.

Does the Postal Service consider its experimental Prepaid Courtesy Reply Mail product (or special service) to be competitive with or complementary to its BRM/BRMAS product (or special service)? Please explain fully.

RESPONSE:

No. See the response to NM/USPS-52.

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

NM/USPS-59.

- a. Must Prepaid Courtesy Reply Mail meet the same machinability and automation requirements as BRM mail that qualifies for the BRMAS rate?
- b. If the answer is anything other than an unqualified affirmative, please specify all differences in the requirements for Prepaid Courtesy Reply Mail, and the rationale for those differences.

RESPONSE:

The test mail does not bear the very distinct, customary stack of horizontal BRM bars down the right-hand front of each mail piece, making them very easy to distinguish from BRM pieces. Moreover, the test envelopes are printed on different colored envelopes than the mailer's BRM pieces.

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

NM/USPS-60.

List by name and address each mailer which as participated in the Prepaid Courtesy Reply Mail Program.

RESPONSE:

Brooklyn Union Gas

P.O. Box 020690

Brooklyn, New York 11202-9900

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

NM/USPS-61.

Can mailers that wish to participate in the Prepaid Courtesy Reply Mail Experiment apply at the local or regional level and have the application approved at that level, or must the application be submitted to and approved by Headquarters? How are such mailers selected?

RESPONSE:

Inquiries about the test may be submitted to Headquarters. The Postal Service is not soliciting "applications" for participation.

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

NM/USPS-62.

To what organizational unit of the Postal Services should applications to participate in the Prepaid Courtesy Reply Mail Experiment be directed?

RESPONSE:

Marketing Systems, Marketing Department, USPS Headquarters.

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

NM/USPS-63.

Do any pieces of Prepaid Courtesy Reply Mail ever weigh more than one ounce? Unless the answer is an unqualified negative, please explain how the recipient and/or the Postal Service determines the number of pieces for which extra-ounce postage is payable.

RESPONSE:

The test mail is intended to consist of First-Class Mail remittances from residential and small business mailers and rarely contain more than a check (or money order) and a statement of account. Accordingly, pieces weighing more than one ounce would be extremely rare and have not been an issue during the course of the test.

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

NM/USPS-64.

Please explain fully all steps taken by the recipient of Prepaid Courtesy Reply Mail and the Postal Service to assure that the Postal Service is fully compensated for all mail delivered under the Prepaid Courtesy Reply Mail Experiment. If the procedure can produce results that are anything less than 100 percent accurate (*e.g.*, is subject to sampling or any other type of statistical variation error), please indicate the extent to which revenues actually paid may deviate from revenues that would be payable under a 100 percent accurate census of incoming Prepaid Courtesy Reply Mail.

RESPONSE:

See USPS LR SSR-149.

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

NM/USPS-65.


Under the Prepaid Courtesy Reply Mail experiment, what work is the mailer required to do to produce "in-house statements for withdrawals from a trust account?"

RESPONSE:

See USPS LR SSR-149.

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.



Michael T Tidwell

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
September 23, 1996