

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

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ORIGINAL

SPECIAL SERVICES REFORM, 1996

Docket No. MC96-3

RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF NASHUA/MYSTIC/SEATTLE  
(NMS/USPS-83-92)

The United States Postal Service hereby provides responses to the following interrogatories of Nashua/Mystic/Seattle, filed on September 27, 1996: NMS/USPS-83-92.


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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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October 11, 1996

POSTAL RATE COMMISSION  
DOCKETED  
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OFFICE OF THE SECRETARY

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

NMS/USPS-83.

Your response to NM/USPS-11 states that "While no BRMAS account holder expecting to receive 1-ounce pieces can say with absolute certainty that no incoming piece will exceed this limit, many are able to project with great confidence that pieces exceeding 1 ounce will be very rare." (Emphasis added.) It further states that "Others...also are able to project with great confidence that pieces outside the expected weight range will be very rare." (Emphasis added.)

- (a) Please explain and quantify the terms "great confidence" and "very rare." For instance, in terms of pieces that weigh more than one ounce, or have a weight outside the expected range, what kind of error rate would constitute an outcome outside the range of "great confidence" or "very rare"? In terms of revenue protection, what kind of error rate is the Postal Service willing to tolerate for such BRMAS mail?
- (b) Can all BRMAS recipients (i.e., 100%) project the weight with great confidence, and be certain that pieces outside the expected weight range will be very rare?
- (c) Unless the answer to the preceding question is an unqualified affirmative, for those BRMAS-qualified recipients that cannot predict the weight with great confidence (and whose mail is processed on automated equipment), please explain fully all steps, internal checks, procedures, audit procedures, etc., that the Postal Service utilizes to protect revenues and ensure that it collects the proper amount of First-Class postage due on each piece. Please make available as a library reference all printed instructions, procedures, etc., that pertain to ascertaining the correct weight and First-Class postage due on BRMAS pieces for any account where the weight may vary by an amount sufficient to cause the applicable postage to vary.
- (d) For those BRMAS-qualified recipients that cannot predict weight with great confidence, has the Postal Service established any error rate that it is willing to accept vis-a-vis revenue protection?

RESPONSE:

- (a) These descriptive terms are not an expression of any specific quantitative measure. Experience has shown that if a business reply mailer sends reply envelopes to customers designed to facilitate payments, it will receive in those envelopes a

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

**(RESPONSE to NMS/USPS-83 continued)**

remittance statement, accompanied by a check (or money order), resulting in a mail piece weighing less than one ounce.

- (b) The Postal Service has not conducted a survey which would quantify this precisely. The statement would be true of most, if not all mailers.
- (c) In almost all cases, pieces weighing over an ounce are obviously thicker than pieces weighing less than one ounce. In accordance with their training, postage due clerks routinely examine thicker pieces in a tray and determine whether additional postage may be due.
- (d) No.

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

**NMS/USPS-84.**

The response to NM/USPS-47(a) states that "Although the test is currently being evaluated, no set 'time frame' has been established." (Emphasis added.) From this statement, it would appear that an "evaluation" -- meaning some kind of critical assessment that amounts to more than just mere data gathering -- is underway. At the same time, the response to #47(b) states that "No specific 'criteria' have been formulated to evaluate the test."

- (a) Please explain how an evaluation can be currently underway without any criteria having been formulated for the evaluation.
- (b) When did work begin on the evaluation that is currently underway?
- (c) Please provide the Postal Service's best estimate of how far (or close) the evaluation currently underway is to completion (e.g., 10%, 25%, 50%, etc. ).
- (d) Has any deadline been established for completion of the evaluation currently underway?
- (e) Does the Postal Service expect that the evaluation currently underway will provide a sufficient basis for it to decide whether the Prepaid Courtesy Reply Mail test either should be made permanent or discontinued?

**RESPONSE:**

- (a) The purpose of the test is to examine the processing and handling of uniform size and weight postage-paid reply mail deposited in the mailstream in the service area of the destinating postal processing and distribution center and to identify and assess operational, accounting, and related issues which arise. Interrogatory NM/USPS-47 inquired about specific criteria for measuring "success" and determining whether the test will result in a permanent service offering. No additional specific criteria related to "success" or a "permanent offering" have been established.

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

**(RESPONSE to NMS/USPS-84 continued)**

- (b) The test has been subject to evaluation from its inception.
- (c) The matter is not subject to quantification.
- (d) Completion of the evaluation of the test is expected to occur at or about the same time that the Postal Service completes the ongoing, comprehensive, internal management review of BRM.
- (e) That cannot be known until the evaluation is completed.

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

**NMS/USPS-86.**

The response to NM/USPS-53 states that "the test is not a classification."

- (a) Does the Postal Service consider the test to be an experiment?
- (b) Does the Postal Service consider the lack of a per-piece fee -- or a per-piece fee equal to zero -- to be an experimental rate? If not, what is it?
- (c) Is the Memorandum of Understanding ("MOU") with Brooklyn Union Gas, LR-SSR-149, a prototype of a negotiated contract? If not, why not?
- (d) Will any additional participant(s) in the Prepaid Courtesy Reply Mail test be required to enter into (i) an identical MOU, or (ii) a similar MOU?
- (e) Regardless of the response to the preceding parts of this question, please state whether the Postal Service describes, considers, or otherwise refers to Prepaid Courtesy Reply Mail of Brooklyn Union Gas as anything other than as a "test."

**RESPONSE:**

- (a) The Postal Service considers the test to be a test.
- (b) No. The test pieces are First-Class Mail pieces which pay the basic First-Class Mail rate of 32 cents.
- (c) USPS-LR-149, the Memorandum of Understanding between the USPS and Brooklyn Union Gas which establishes the general terms of the test, is not a "a prototype of a negotiated contract," because it was established only for the purpose of conducting the test.
- (d) Should there be additional participants, that would be reasonable to assume.

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

**NMS/USPS-85.**

The response to NM/USPS-49 states that "The mailer [Brooklyn Union Gas] would perform accounting functions based on its records to establish the amount of postage."

- (a) Does the Postal Service conduct any kind of audit, sampling or other check on the accuracy of the accounting functions performed by Brooklyn Union Gas?
- (b) Unless the answer to the preceding question is an unqualified negative, how frequently does the Postal Service conduct such audit, sampling, or other check on the accounting functions performed by Brooklyn Union Gas?
- (c) Does the Postal Service have any written rules, procedures, guidelines or the like when performing any audits that it conducts of the accounting functions performed by Brooklyn Union Gas? If so, please provide a copy as a library reference.
- (d) What error rates have been detected by Postal Service audits, samples or checks on the accuracy of Brooklyn Union Gas' accounting functions?

**RESPONSE:**

- (a) Yes.
- (b) See USPS-LR-SSR-149.
- (c) See USPS-LR-SSR-149.
- (d) Approximately within 0.05 percent.

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

**(RESPONSE to NMS/USPS-86 continued)**

- (e) See the response to part (a) above. Only a test was intended; although it is possible that in an organization as large as the Postal Service, the test could have been described by someone in the organization at some point as something other than a test.



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

**NMS/USPS-87.**

The response to NM/USPS-54 states that "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...." (Emphasis added.)

- (a) Please state whether work on any such study (or studies) has (have) begun.
- (b) Unless the response to the preceding question is an unqualified negative, when did work begin on each such study?
- (c) Please provide the Postal Service's best estimate of how far (or close) any such study is to completion (e.g., 10%, 25%, 50%, etc.).
- (d) Has any deadline been established for completion of any such study that may be currently underway? If so, please indicate when completion is expected.
- (e) If the response to part a. is an unqualified negative, please indicate whether the Postal Service plans to initiate any such study before January 1, 1997.

**RESPONSE:**

- (a) Field observations have been conducted throughout the test, although no empirical cost analysis has been conducted yet.
- (b) [N/A]
- (c) The matter is not subject to quantification.
- (d) Evaluation of the test is expected to be completed at or about the same time that the Postal Service completes the ongoing, comprehensive, internal management review of BRM.
- (e) [N/A]

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

**NMS/USPS-88.**

The response to NM/USPS-55 states that "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." (Emphasis added.)

- (a) Please state whether work on any such cost study has begun.
- (b) Unless the response to the preceding question is an unqualified negative, when did work begin on such a cost study?
- (c) Please provide the Postal Service's best estimate of how far (or close) any such cost study is to completion (e.g., 10%, 25%, 50%, etc.).
- (d) Has any deadline been established for completion of any such cost study that may be currently underway? If so, please indicate when completion is expected.
- (e) If the response to part a is an unqualified negative, please indicate whether the Postal Service plans to initiate any such study before January 1, 1997.

**RESPONSE:**

- (a) No study designed to compare the costs of BRM and test pieces has been initiated.
- (b) [N/A]
- (c) The matter is not subject to quantification.
- (d) Such a study is expected to be completed at or about the same time that the Postal Service completes the ongoing, comprehensive, internal management review of BRM.
- (e) [N/A]

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

**NMS/USPS-89**

With respect to the answer to NM/USPS-57, please indicate whether postage for Prepaid Courtesy Reply Mail is deducted from the BRM deposit account of Brooklyn Union Gas, or whether the company maintains a separate and special deposit account for Prepaid Courtesy Reply Mail.

**RESPONSE:**

A separate and special account is maintained for the Prepaid Courtesy Reply Mail test.

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

**NMS/USPS-90.**

Please refer to the response to NM/USPS-58. Has Prepaid Courtesy Reply Mail replaced some or all of the BRM/BRMAS that Brooklyn Union Gas used for its customers prior to initiation of the test? If so, please state the Postal Service's best estimate of the percentage of BRM/BRMAS that has been displaced by Prepaid Courtesy Reply Mail.

**RESPONSE:**

Some reply mail which was sent as Business Reply Mail before the test is now being sent as test reply mail. The remainder is still being sent as BRM. It is expected that after the conclusion of the test, all test reply pieces will be sent as BRM pieces again. In conjunction with the disclosure of privileged volume data in response to NM/USPS-51, the Postal Service will disclose estimates of the share of Brooklyn Union Gas reply mail which is Business Reply Mail and the share which is Prepaid Courtesy Reply Mail.

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

**NMS/USPS-91.**

Please refer to the response to NM/USPS-59, which describes the separate envelopes used by Brooklyn Union Gas. Are the envelopes used for Prepaid Courtesy Reply Mail? Please provide as a library reference samples of the BRM envelopes and the Prepaid Courtesy Reply Envelopes used by Brooklyn Union Gas.

**RESPONSE:**

Samples will be filed as USPS Library Reference No SSR-154.

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

**NMS/USPS-92.**

Your response to NM/USPS-56 speaks of the payment of only First-Class postage.

- (a) Please confirm that in this test, other than First-Class postage, that (i) no BRM fees are being paid; (ii) no BRMAS fees are being paid; (iii) no Prepaid Courtesy Reply Mail fees are being paid; and (iv) no other per-piece fees, charges, or other amounts are being paid by Brooklyn Union Gas.
- (b) (i) Please explain whether the 32-cent First-Class postage is paid on all envelopes mailed out by Brooklyn Union Gas (as implied by your response to NM/USPS-49) or whether the 32-cent First-Class postage is paid only for envelopes received by Brooklyn Union Gas; (ii) if the latter, in what sense is Prepaid Courtesy Reply Mail being "prepared" by Brooklyn Union Gas; (iii) how is such mail distinguishable from normal BRMAS mail in terms of Postal Service processing and mailer worksharing; (iv) are the "accounting functions" mentioned in response to NM/USPS-49 the same functions performed by the Postal Service for BRMAS mail, and if not, how do they differ; and (v) what justifies the Postal Service decision not to charge BRM or BRMAS fees to Brooklyn Union Gas?

**RESPONSE:**

- (a) Throughout the Prepaid Courtesy Reply Mail test, Brooklyn Union Gas has continued to be a BRM permit holder and has paid all appropriate BRM and BRMAS fees. No additional fees have been paid in conjunction with the reply mail generated by its concurrent participation in the Prepaid Courtesy Reply Mail test.
- (b) (i) Postage is paid for envelopes received.  
(ii) BUG supplies automation-compatible envelopes and the remittance portion of the reply enclosure to the sender.

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

**(RESPONSE to NMS/USPS-92 continued)**

(iii) BRMAS is subject to an internal accounting by the Postal Service, using its automated equipment or a manual piece count, before it is delivered to the recipient. In contrast, except in connection with an audit, the test mail is not subject to an internal accounting before delivery to the recipient, which performs an accounting which is subject to postal verification and audit.

The test mail is distinguishable from BRM in postal processing by virtue of the color of the envelopes and the fact that BRM has horizontal bars which do not appear on other mail, including test pieces. These differences allow postal employees to eliminate any inadvertent commingling of BRM and test pieces.

Before arrival in the delivery unit, the processing of the pieces is the same. Neither Brooklyn Union's BRM nor the test pieces qualify for any discount from the basic 32-cent rate based on mailer worksharing.

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

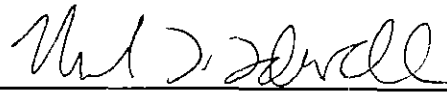
**(RESPONSE to NMS/USPS-92 continued)**

- (iv) BRMAS accounting procedures are described in the Business Reply Mail Accounting System Operator's Guide, in USPS Library Reference G-168 (Docket No. R94-1). The accounting procedures applicable to the test are described in USPS LR-SSR-149.
- (v) See the responses to interrogatories NM/USPS-50 and NM/USPS-57.



**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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