

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

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POSTAL RATE COMMISSION  
OFFICE OF THE CLERK

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

RESPONSE OF UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF OF  
PITNEY BOWES, INC.  
REDIRECTED FROM WITNESS MEEHAN  
(PB/USPS-T11-1, 2, 3(a)-(c), 9(a)-(b), 10 and 12 (unnumbered part))

The United States Postal Service hereby provides its responses to the following interrogatories of Pitney Bowes, Inc.: PB/USPS-T11-1, 2, 3(a)-(c), 9(a)-(b), 10 and 12 (unnumbered part), filed on March 1, 2000, and redirected from witness Meehan.

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



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March 1, 2000

Response of United States Postal Service  
to  
Interrogatories of Pitney Bowes, Inc. ;

**PB/USPS-T11-1.** For FY 1998 and FY 1999, provide the percentage of single piece First-Class Mail that was (i) metered, (ii) stamped, and (iii) permit, and indicate the source of the data.

**Response:**

For FY 1998, the percentages are as follows: Metered 44.01%; Stamped 48.84%; Permit 6.46%.

For FY 1999, the percentages are as follows: Metered 43.43%; Stamped 49.39%; Permit 6.44%.

The source of the data is Domestic RPW.

**Response of United States Postal Service  
to  
Interrogatories of Pitney Bowes, Inc.**

**PB/USPS-T11-2** Provide all ODIS data for single piece First-Class Mail for FY 1998 and FY 1999.

**Response:**

The ODIS data for single piece First-Class Mail is as follows. There were approximately 58.6 billion pieces for FY 1998, and 58.1 billion pieces for FY 1999.

Response of United States Postal Service  
to  
Interrogatories of Pitney Bowes, Inc. .

**PB/USPS-T11-3.** Confirm that when retail customers buy stamps and other services at Post Office counters, the Postal Service will accept various specified credit cards for payment, including American Express, Master Card and VISA.

a. Please confirm that the Postal Service does not charge its customers a fee for using a credit card as a form of payment when purchasing stamps. If you do not confirm, indicate the fee charged to stamp purchasers.

b. When customers have used credit cards to pay for stamps, and the Postal Service submits the appropriate records to credit card companies for payment, does the Postal Service (i) receive the **gross** amount which customers charged and subsequently pay a separate commission to the credit card companies, or (ii) receive a **net** amount that reflects the gross amount charged **less** the commission due the credit card company? Please explain.

c. If the Postal Service receives from credit card companies a net amount that reflects deduction of commissions owed to credit card companies, (i) does it record only the net amount as cash received, or (ii) does it record the gross amount as income and record the commissions as an explicit expense?

d. In terms of the amounts that customers charged to their credit cards, (i) what was the average percentage commission or service charge that the Postal Service paid to credit card companies in FY 1998, and (ii) what was the total amount of commissions paid to credit card companies in FY 1998?

e. In what cost segment and account does the Postal Service record commissions paid to credit card companies?

f. To what extent are fees for credit card usage treated as (i) volume-variable, (ii) attributable, and (iii) incremental?

**Response:**

Confirmed.

a. Confirmed. The USPS does not charge customers a fee for using a credit card.

**Response of United States Postal Service  
to  
Interrogatories of Pitney Bowes, Inc.**

b. The Postal Service does not submit records directly to credit card companies, nor does the Postal Service pay a commission to credit card companies. However, the Postal Service does pay a number of fees to the credit card companies. The Postal Service records the payment as gross revenues. The Postal Service then pays fees later. The fees are recorded as an expense.

c. The Postal Service records the credit card payments as revenue. The fees we pay to credit card companies are recorded as an expense.

d. Objection filed on February 28, 2000.

**Response of United States Postal Service  
to  
Interrogatories of Pitney Bowes, Inc.**

**PB/USPS-T11-9** In FY 1998, how many stamp vending machines were operated by the Postal Service?

- a. What was the cost of those vending machines when purchased?
- b. Are stamp vending machines expensed when acquired, or are they depreciated over time? If they are depreciated like other capital investments, (i) over how many years, and (ii) how much of the cost was charged to depreciation expense in FY 1998?
- c. What portion (if any) of the depreciation expense for stamp vending machines was treated as volume-variable?

**Response:**

In FY 1998, there were 36,016 vending machines in service.

- a. Cost varied by machine model. There were 27 different models of machines in service during FY 1998. Cost information available for each machine model is attached.
- b. Machines are depreciated over a ten-year period. Cost charged to depreciation expense in FY 1998 was \$6,091,966.00.

FY 1998, AP 13

Models in Service	Year of Purchase	Qty in Svc	Cost Each	Total Cost of Qty of Machines in Service	10% Depreciation Each (Depreciate over 10 yrs)	Total amount of depreciation charged
SI-5	1961	1	NA		\$ -	
SI-15	1963	1	NA		\$ -	
SI-115	NA	1	NA		\$ -	
PS-86	1979	106	NA		\$ -	
PS-53	1978	113	NA		\$ -	
PS-53B	1980	71	NA		\$ -	
PS-53C	1986	7186	\$ 1,007.00	\$ 7,236,302.00	\$ -	
PS-53D	1988	4117	\$ 1,600.00	\$ 6,587,200.00	\$ -	
PS-53CMOD	1988	971	\$ 1,400.00	\$ 1,359,400.00	\$ -	
PS-22	1995	586	\$ 3,560.00	\$ 2,086,160.00	\$ 356.00	\$ 208,616.00
PBM-1&1a	1980	37	NA		\$ -	
SBVM-3	1983	2	NA		\$ -	
PBM-4	1983	138	NA		\$ -	
PBM-5	1986	39	NA		\$ -	
PBM-2	1986	3201	\$ 780.00	\$ 2,496,780.00	\$ -	
PBM-6	1987	5208	\$ 1,114.00	\$ 5,801,712.00	\$ -	
PBM-7	1995	410	\$ 3,680.00	\$ 1,508,800.00	\$ 368.00	\$ 150,880.00
PCM-21	1980	223	NA		\$ -	
21CE-64	1964	15	NA		\$ -	
21CE-72	1972	350	NA		\$ -	
GSM-76	1976	4	NA		\$ -	
PCM-1625A	1989	792	\$ 5,200.00	\$ 4,118,400.00	\$ 520.00	\$ 411,840.00
PCM-1625B	1993	4200	\$ 4,500.00	\$ 18,900,000.00	\$ 450.00	\$ 1,890,000.00
PCM-1625B	1995	429	\$ 5,400.00		\$ 540.00	\$ 231,660.00
SCC-1	1984	1	NA		\$ -	
SCC-3	1986	3244	\$ 1,150.00	\$ 3,730,600.00	\$ -	
PBSM-624	1994	4570	\$ 7,000.00	\$ 31,990,000.00	\$ 700.00	\$ 3,199,000.00
	27 models	36016	\$ 36,391.00	\$ 85,815,354.00	\$ 2,934.00	\$ 6,091,996.00

Response of United States Postal Service  
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**PB/USPS-T11-10** For the stamps-by-mail program, how many advertising fliers and order forms did the Postal Service distribute to potential customers during FY 1998?

a. What were the costs associated with printing and distributing those fliers?

**Response:**

There were no advertising fliers produced at the corporate level. Order forms were produced. The number of order forms distributed to potential customers during FY 1998 is not known. However, the Postal Service estimates that a total of 64 million order forms were printed at a cost of \$1.3 million. These numbers do not include any fliers or forms that may have been distributed at the local level as that information is not tracked.



**Response of United States Postal Service  
to  
Interrogatories of Pitney Bowes, Inc. :**

**PB/USPS-T11-12** For FY 1998, and for each of the different marketing channels which the USPS uses to sell stamps (e.g., counters, contract stations, vending machines, stamps-by-mail, consignment sales, etc.) please provide data showing the revenues collected from the sale of stamps for each channel which the Postal Service is able to identify separately.

- a. To the extent that costs are available for the different channels identified in response to preceding part a, please provide and indicate whether they are (i) volume variable, (ii) attributable, or institutional.
- b. For all costs provided, also indicate whether (i) they are direct costs only, or (ii) all appropriate indirect and piggyback costs are included. If they are direct costs only, please indicate what the appropriate piggyback factor should be, if applicable.

**Response:**

FY 1998 Revenues were as follows:

Postage stamps sales at counters = 8,598,083,719

Postage stamp sales at contract stations = 569,023,632

Postage stamp sales through vending = 612,380,000

Postage stamp sales through local by mail program = 315,774,590

Postage stamp sales by consignment = 167.9 million local  
590.3 million Amplex contract

**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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March 1, 2000