

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

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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

REVISED RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS  
MEEHAN TO INTERROGATORIES OF PITNEY BOWES, INC.  
(PB/USPS-T11-3(d)-(f), 5, 7(a), 8 and 12(a))  
(March 21, 2000)

The United States Postal Service hereby provides revised responses of witness Meehan to the following interrogatories of Pitney Bowes, Inc.: PB/USPS-T11-3(d)-(f), 5, 7(a), 8 and 12(a), filed on February 16, 2000. The original responses were filed on March 1, 2000.

PB/USPS-T11-3(d) is changed to reflect that the Postal Service filed a revised institutional response on March 13, 2000. Subparts (e) and (f) are changed to reflect more precise information, listing the component number the cost is found in as well as the percentage variability of that component. PB/USPS-T11-5 is changed to correct the cost of the artists who create stamp designs. PB/USPS-T11-7 is changed to provide different Workpaper citation and a component citation, and subpart (a) is changed to reflect that the component is fully volume variable. Both PB/USPS-T11-8 and 12(a) are changed to list the component number the cost are found in as well as the percentage variability of that component.

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Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking

A handwritten signature in cursive script, appearing to read "Susan M. Duchek", is written over a horizontal line.

Susan M. Duchek

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March 21, 2000

**Response of United States Postal Service Witness Meehan  
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:**

a. Redirected to the Postal Service.

b. Redirected to the Postal Service.

c. Redirected to the Postal Service.

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

- d. Objection initially filed on February 28, 2000. Due to an agreement with Pitney Bowes counsel, it was answered by the Postal Service on March 13, 2000.
- e. Cost segment 16, component 177, account 52359.
- f. Component 177 is 59.8 percent volume variable.

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

**PB/USPS-T11-5** During FY 1998, what were the total costs for (i) the Stamp Advisory Committee, (ii) artists who created stamp designs, and (iii) stamp distribution network personnel? In what cost segments are each of these respective costs recorded?

**Response:**

In FY 1998, the total cost for the Stamp Advisory Committee compensation was \$269,312. These costs are recorded in cost segments 15, 16, 18 and 20. The cost for the artists who create stamp designs was \$524,012, found in cost segments 16 and 18. Stamp distribution network personnel costs were \$13,012,831, which can be found in cost segment 18, in subaccount .150.

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

**PB/USPS-T11-7** How much did the Postal Service spend to print stamps in FY 1998?

- a. To what extent is the cost of printing stamps treated as (i) volume-variable, (ii) attributable, and (iii) incremental?
- b. How much did the Postal Service spend to print stamps in FY 1999?

**Response:**

For BY1998, the stamp printing costs were \$183,398,000 shown in Workpaper A-1, component 180, pages 71 and 72.

- a. Component 180 is fully volume variable, except for migratory bird stamps (\$231,000). Migratory bird stamp costs are institutional.
- b. The stamp printing costs in FY 1999 were \$169,072,000.

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

**PB/USPS-T11-8** In FY 1998, did the Postal Service use any outside contractor(s) to administer (i) stamps placed on consignment and sold through grocery stores and other retail outlets, or (ii) stamps by mail, or (iii) stamps by phone? If you answer affirmatively for any of the preceding, indicate the amount paid to any contractor(s) in FY 1998, along with the cost segment and account where such costs appear, and whether any portion of these expenses are treated as volume-variable, attributable, and incremental.

**Response:**

I am informed that the Postal Service used Amplex Corp. to manage the stamps on consignment program which encompasses stamps sold through grocery stores and other retail outlets. I am also informed that the Postal Service paid Amplex \$7,769,686 in FY 1998.

This cost is in Cost Segment 16, component 177, account 52359. Component 177 is 59.8 percent volume variable.

Response of United States Postal Service Witness Meehan  
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:**

First part redirected to the Postal Service.

- a. Like revenue, costs are not available for all retail channels. The following is available. Counter service is what the Postal Service refers to as window service. My B workpapers, W/S 3.2.1 column 9 shows the cost of selling stamp at the window of \$759,673,000, of which 350,361,000 is volume variable (shown in W/S 3.2.1 column 11.) Exhibit A of my testimony, cost segment 13.1 shows contract station costs. These costs are \$67,348,000 and are institutional. I am told that vending personnel costs, including maintenance and supervisor costs, were \$54,245,804 in FY 1998, and are institutional. I am informed that the Stamps-by-mail program cost \$36 million.



Response of United States Postal Service Witness Meehan  
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Consignment costs are shown in response to #8, as \$7,769,686. As stated in #8, component 177 is 59.8 percent volume variable.

- b. The counter or window service costs for selling stamps provided in part "a" is the direct cost. The piggyback factor for this is 1.45 (see Witness Smith, USPS-T-21, Attachment 10). There are two additional "piggyback" costs related to vending. The first is the cost for mileage driven of \$999,973, as provided by Retail. The second is the facility-related costs (e.g. rents, custodial, maintenance) for the space used by vending equipment. This cost is \$30,727,971 which is a product of the \$12.88 facility-related cost per square foot (see USPS-LR-I-77, page 404) and 2,385,971 square feet used for Self Service Postal Centers (as shown by witness Smith, USPS-T-21, Attachment 6.). See also the response to PB/USPS-T11-9 on vending depreciation costs. For contract stations and consignment, the costs provided are both direct and indirect.

**DECLARATION**

I, Karen Meehan, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

*Karen Meehan*

Dated: 3/21/00

**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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Susan M. Duchek

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March 21, 2000