

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

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS FRONK
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T33-9(a,c,d), 10(a,g), 11(a,g), 12)

The United States Postal Service hereby provides the responses of witness Fronk to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-T33-9(a,c,d), 10(a,g), 11(a,g) and 12, filed on March 16, 2000.

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

The following interrogatories have been redirected to the Postal Service for response: OCA/USPS-T33-9(b), 10(b-f), and 11(b-f).

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Rate-making



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March 30, 2000

**RESPONSE OF U.S. POSTAL SERVICE WITNESS FRONK
TO INTERROGATORIES OF THE OCA**

OCA/USPS-T33-9. Please refer to your testimony at page 27, lines 5-8.

- (a) Please identify and describe who you are referring to where it states "our customers mailing at the nonautomation presort rate."**
- (b) What percent of mail qualifying for the nonautomation presort rate in FY1998 was**
 - (i) prepared and presorted by firms "in-house" for entry directly with the Postal Service?**
 - (ii) simply presorted by firms commonly referred to as "presort bureaus?"**
 - (iii) prepared and presorted by firms commonly referred to as "service bureaus?"**
 - (iv) other firms providing printing or mail services?**
- (c) Please describe how "presort bureaus" are typically compensated for presorting First-Class**
 - (i) basic presort mail,**
 - (ii) basic automation mail,**
 - (iii) 3-digit automation mail, and**
 - (iv) 5-digit automation mail.**
- (d) Please describe in detail your understanding of the relationship between "presort bureaus" and their customers. Is it your understanding that a mailer requiring presort services typically enters into a contract or other arrangement that specifies a minimum volume of mail to be provided to the "presort bureau" on a weekly, monthly, or annual basis? Please explain.**

RESPONSE:

- (a) I simply meant any of our customers who may be submitting mailings at the nonautomation presort rate, whether businesses, presort bureaus, and the like. I did not have a specific list of customers in mind.**
- (b) Redirected to the Postal Service.**
- (c) My knowledge of how presort bureaus are typically compensated is very general. It is my understanding that presort bureaus typically view the details of such information as business confidential and proprietary. It is my understanding that in some instances presort bureaus are compensated at a flat rate. In some instances, they split the worksharing discount with the customer. In some instances, the presort bureau's customer may give the presort bureau a mailing metered with nonautomation presort postage. The presort bureau can then combine the mailing with those of other customers to qualify, for example, for the 3-digit automation discount. In this example, the presort bureau might keep the difference between**

**RESPONSE OF U.S. POSTAL SERVICE WITNESS FRONK
TO INTERROGATORIES OF THE OCA**

RESPONSE to OCA/USPS-T33-9 (continued)

the nonautomation presort rate and the 3-digit rate. Since the mail is already metered with the nonautomation presort rate, the Postal Service would provide a "value added refund" representing the postage difference between the nonautomation presort rate and the 3-digit rate. It may be more fruitful to direct interrogatories of this type to any presort industry witnesses who may submit testimony later in this proceeding.

- (d) Please see my response to part (c). It is my understanding that written contracts are sometimes used, especially for large volume mailers. I am also informed that verbal agreements and handshakes are also used in some instances. I have no information about required minimum volumes over particular time periods. It is my understanding that the terms of these contracts are often jealously guarded confidential business information.

**RESPONSE OF U.S. POSTAL SERVICE WITNESS FRONK
TO INTERROGATORIES OF THE OCA**

OCA/USPS-T33-10. Please refer to your testimony at pages 33 and 34, lines 21-22, and lines 1-2, respectively.

- (a) Please confirm that the term "Mailers" includes firms commonly referred to as "presort bureaus." If you do not confirm, please explain.**
- (b) Please provide the FY1998 First-Class letter volume, or an estimate thereof, for Basic Presort, Basic Automation, 3-Digit Automation, 5-Digit Automation, and Carrier Route entered with the Postal Service by "presort bureaus."**
- (c) Please provide the FY1998 First-Class flats volume, or an estimate thereof, for Regular Presort, Basic Automation, and 3/5-Digit Automation entered with the Postal Service by "presort bureaus."**
- (d) Please provide the FY1998 Standard (A) letter size and non-letter size volume, or an estimate thereof, for Basic Presort and 3/5-Digit Presort entered with the Postal Service by "presort bureaus."**
- (e) Please provide the FY1998 Standard (A) letter-size volume, or an estimate thereof, for Basic Automation, 3-digit Automation, and 5-Digit Automation, and the flat size volume, or an estimate thereof, for Basic Automation, and 3/5-Digit Automation entered with the Postal Service by "presort bureaus."**
- (f) Please provide the FY1998 Standard (A) letter-size volume, or an estimate thereof, for Basic ECR, Basic Automation ECR, High Density, and Saturation, and the non-letter size volume, or an estimate thereof, for Basic ECR, High Density, and Saturation entered with the Postal Service by "presort bureaus."**
- (g) Please confirm that "presort bureaus" (as distinct from "service bureaus") rely significantly on the presortation and entry of First-Class Mail for their livelihood. If you do not confirm, please explain and provide any data to support your answer.**

RESPONSE:

(a) Confirmed.

(b) - (f) Redirected to the Postal Service.

(g) Confirmed, that presort bureaus rely significantly on the presortation and entry of First-Class Mail for their livelihood. However, I am unsure what is meant by the term "service bureau," and this question may be attempting to make a distinction that is difficult to make in practice as the mailing industry evolves. One could talk in terms of the more traditional presort bureau activities such as mail pick-up, sorting, barcoding, combining the mail of different customers, and qualifying the mail for entry into the postal system. Beyond these core activities, presort bureaus could expand into other "services" such as printing, lettershop, mailroom management, and mailing list management.

**RESPONSE OF U.S. POSTAL SERVICE WITNESS FRONK
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OCA/USPS-T33-11. Please refer to your testimony at pages 33 and 34, lines 21-22, and lines 1-2, respectively.

- (a) Please confirm that the term "Mailers" includes firms commonly referred to as "service bureaus." If you do not confirm, please explain.
- (b) Please provide the FY1998 First-Class letter volume, or an estimate thereof, for Basic Presort, Basic Automation, 3-Digit Automation, 5-Digit Automation, and Carrier Route entered with the Postal Service by "service bureaus."
- (c) Please provide the FY1998 First-Class flats volume, or an estimate thereof, for Regular Presort, Basic Automation, and 3/5-Digit Automation entered with the Postal Service by "service bureaus."
- (d) Please provide the FY1998 Standard (A) letter size and non-letter size volume, or an estimate thereof, for Basic Presort and 3/5-Digit Presort entered with the Postal Service by "service bureaus."
- (e) Please provide the FY1998 Standard (A) letter-size volume, or an estimate thereof, for Basic Automation, 3-digit Automation, and 5-Digit Automation, and the flat size volume, or an estimate thereof, for Basic Automation, and 3/5-Digit Automation entered with the Postal Service by "service bureaus."
- (f) Please provide the FY1998 Standard (A) letter-size volume, or an estimate thereof, for Basic ECR, Basic Automation ECR, High Density, and Saturation, and the non-letter size volume, or an estimate thereof, for Basic ECR, High Density, and Saturation entered with the Postal Service by "service bureaus."
- (g) Please confirm that "service bureaus" (as distinct from "presort bureaus") rely significantly on services other than presortation services and entry of First-Class Mail for their livelihood. If you do not confirm, please explain and provide any data to support your answer.

RESPONSE:

- (a) I am unsure what is meant by the term "service bureau." To the extent the usage here is consistent with my description in OCA/USPS-T33-10 (g), I can confirm.
- (b) – (f) Redirected to the Postal Service.
- (g) Please see my response to OCA/USPS-T33-10 (g) and the Postal Service response to OCA/USPS-T33-11.

**RESPONSE OF U.S. POSTAL SERVICE WITNESS FRONK
TO INTERROGATORIES OF THE OCA**

OCA/USPS-T33-12. Please refer to your testimony at page 27, lines 3-5.

- (a) Please confirm that the proposed rate of 32.0 cents for Basic Presort (assuming recommendation of the proposed 34.0 cent rate for single-piece First-Class Mail) will likely result in a reduction of Basic Presort mail volume. If you do not confirm, please explain.**
- (b) Please confirm that the Basic Presort mail volume fluctuates by the**
 - (i) day of the week,**
 - (ii) week of the month, and**
 - (iii) month of the year.****If you do not confirm, please explain.**
- (c) Please confirm that the Basic Presort mail volume provided by "in-house" firms, "presort bureaus" and "service bureaus" fluctuates by the**
 - (i) day of the week,**
 - (ii) week of the month, and**
 - (iii) month of the year.****If you do not confirm, please explain.**

RESPONSE:

- (a) Confirmed.**
- (b) – (c) While I have not examined daily, weekly, or monthly nonautomation presort volumes, it appears self-evident that such volumes would vary from time period to time period.**

DECLARATION

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


David R. Fronk

Dated: 3-30-00

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.

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

Michael T. Tidwell

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