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

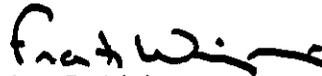
POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

**RESPONSES OF PITNEY BOWES WITNESS HALDI TO INTERROGATORIES
OF UNITED STATES POSTAL SERVICE (USPS/PB-T2-3-10)**

Pitney Bowes hereby provides responses to the above listed interrogatories of the United States Postal Service filed June 9 2000. Each question is stated verbatim and is followed by the response.

Respectfully submitted,



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June 23, 2000

PB Witness John Haldi Response to Interrogatory of
United States Postal Service

USPS/PB-T2-3. To your knowledge, has the Postal Rate Commission formally addressed the issue whether to include stamp production, procurement or distribution costs as part of the basis for defining “cost avoidance” or “worksharing” for ratemaking purposes?

Response:

The Commission and the Postal Service classify certain stamp production, procurement and distribution costs as attributable -- *i.e.*, volume variable and hence avoidable -- which is the generally accepted basis for worksharing discounts. However, to my knowledge the Commission has not heretofore formally addressed the issue of whether avoidance of these attributable costs should be basis of a worksharing discount.

PB Witness John Haldi Response to Interrogatory of
United States Postal Service

USPS/PB-T2-4.

- (a) Identify and describe all factors other than changes in postal rates which would motivate mailers to use meters to affix postage instead of stamps.
- (b) Have any studies, surveys, or market research been conducted by or for Pitney Bowes on this subject? If so, please provide copies of all documents related to such studies, surveys, and research.

Response:

- (a) Referred to Judy Martin.
- (b) Referred to Judy Martin.

PB Witness John Haldi Response to Interrogatory of
United States Postal Service

USPS/PB-T2-5. What percentage of current users of postage meter technology use it, in part, to minimize their own costs associated with obtaining and maintaining a stamp inventory and affixing stamps to mail pieces?

Response:

Referred to Judy Martin.

PB Witness John Haldi Response to Interrogatory of
United States Postal Service

USPS/PB-T2-6. Please identify and describe all mail processing differences between two properly posted single-piece First-Class Mail letters which are identical in every respect, except that one is metered and the other has a stamp affixed.

Response:

I am not aware of any mail processing differences between two such letters of the type described in the question, which is why my testimony focuses entirely upon the transactions costs associated with the cost of using stamps to collect revenues and evidence the payment of postage.

PB Witness John Haldi Response to Interrogatory of
United States Postal Service

USPS/PB-T2-7. Please confirm that postage meters allow presort bureaus to increase their flexibility in affixing postage to different First-Class Mail letters (within a bulk mailing) which can qualify for different rate category discounts, based upon the characteristics of particular letters within the mailing.

Response:

Confirmed.

PB Witness John Haldi Response to Interrogatory of
United States Postal Service

USPS/PB-T2-8. At pages 16-17 of your testimony, you state that “[n]o additional discount is proposed here” for “mailings above a minimum size that are barcoded and or presorted.” Explain the basis for your proposal to limit your proposed discount to single-piece metered mail. Why do [you] exclude metered mail entered in bulk?

Response:

First, let me clarify terminology. It should be understood that the intent of my proposal is to extend the proposed discount to all metered First-Class mail that pays the single piece rate for the first ounce, regardless of whether such pieces are dropped individually into collection boxes or are banded and entered “in bulk.” The exclusion of “metered mail entered in bulk” is intended to apply to First-Class mail that does not pay the full single-piece rate because it qualifies for presort or automation discounts.

The rationale for the distinction is that (i) much of the attributable transaction costs of collecting revenue from stamps is distributed to non-discounted First-Class Mail, and (ii) a substantial portion of “bulk” First-Class Mail (*i.e.*, mail that qualifies for presort or automation discounts) is either metered or has a preprinted permit. Consequently, little of the attributable transaction cost of collecting revenue from bulk First-Class Mail is distributed to bulk First-Class Mail.

PB Witness John Haldi Response to Interrogatory of
United States Postal Service

USPS/PB-T2-9. In your testimony at page 8, lines 16-17, you state that “*stamps are now the most expensive method* that a postal administration has for collecting revenues and enabling customers to evidence payment of postage.” (Emphasis in original.)

- (a) Is it your testimony that the collection of postage and enabling customers to evidence payment of postage on Business Reply Mail and Qualified Business Reply Mail is less expensive on a unit basis than it is for stamped First-Class Mail letters [?] If so, please quantify that difference and provide all calculations and documentation supporting such calculations.
- (b) In reference to your testimony at page 9, lines 9-10, please confirm that, in addition to postage, the current QBRM per-piece fee is 5 cents, not 3 cents.

Response:

- (a) No. With the benefit of hindsight, It would have been better if my testimony at the place you cite had added to it the few bold-faced words indicated below:

As a result of further technological developments since they were first introduced, *stamps are now the most expensive method* that a postal administration has for collecting revenues **from the general public** and enabling **those** customers to evidence payment of postage.

QBRM is a special subset of First-Class Mail that is available to the general public only to the extent that business firms elect to provide it.

- (b) Confirmed; the rate for QBRM is 3 cents less than the rate for single-piece First-Class Mail.

USPS/PB-T2-10. In your testimony at pages 20-21, you compare your proposal for a single-piece metered mail discount with the Courtesy Reply Mail proposals which have been ejected by the Governors.

- (a) Please confirm that your discussion refers to the Courtesy Envelope Mail (CEM) proposals of the Office of the Consumer Advocate which have been recommended by the Commission, but rejected by the Governors.
- (b) Please refer to footnote 15 on page 21 of your testimony. If the Commission recommends the Postal Service's Docket No. R2000-1 34-cent basic First-Class Mail rate and the OCA's Docket No. R2000-1 CEM proposal (OCA-T-7), establishing a 3-cent discount (and a 31-cent rate) for that category of stamped single-piece mail, what rate should the Commission recommend for metered CEM pieces?

Response:

- (a) Confirmed.
- (b) My understanding of the OCA's CEM proposal is that it is based on savings in processing costs because of its automation compatibility. My proposed discount is based on savings in postage evidencing transaction costs, which is different. For a metered CEM piece, the processing costs avoided and the transaction costs avoided would thus be cumulative. Focusing solely on costs avoided, it could be argued that both discounts should apply. However, for single-piece First-Class Mail the Commission must give serious consideration to the Simplicity criterion in 3622(b)(7).

CERTIFICATION

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.

Ian D. Volner

ATTESTATION

I, John Haldi, declare under penalty of perjury that the foregoing answers to interrogatories were prepared by me or under my supervision and control and that such answers are true and correct, to the best of my knowledge, information and belief.



Dated: June 19, 2000

CERTIFICATION

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding having requested service of discovery documents in accordance with Section 12 of the rules of practice.

Ian D. Volner
Ian D. Volner