

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, 1997

Docket No. R97-1

**RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS FRONK
TO INTERROGATORIES OF NASHUA, DISTRICT, MYSTIC & SEATTLE
(NDMS/USPS-T32-41 AND 42)**

The United States Postal Service hereby files the response of David Fronk to the following interrogatories of Nashua, District, Mystic & Seattle, dated September 4, 1997: NDMS/USPS-T32-41 and 42.

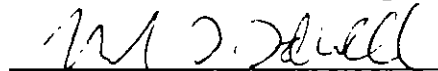
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



Michael T. Tidwell

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September 19, 1997

RESPONSE OF U.S. POSTAL SERVICE WITNESS FRONK
TO INTERROGATORIES OF NDMS

NDMS/USPS-T32-41. Please refer to your testimony at page 41, where you state that the proposed PRM "monthly fee of \$1,000 is set at a level which recovers the administrative and auditing costs associated with making sure that the mailer-supplied piece counts are correct." Without regard to whether various types of mail are automatable, or would qualify for PRM as proposed by the Postal Service:

- a. Do any of these administrative and auditing costs vary with the size of the mailpiece?
- b. Do any of these administrative and auditing costs vary with the shape of the mailpiece?
- c. Would this monthly fee be sufficient to recover the administrative and auditing costs associated with confirming that the mailer-supplied piece counts are correct for a weight averaging system?

RESPONSE:

(a)-(b) The proposed fee was developed within the context of the overall proposal for PRM. As indicated in my testimony (page 34), the PRM letter rate is intended to benefit the customers of large-volume business mailers by providing them with prepaid envelopes to return bill payments or other correspondence to the envelope provider. As such, it is anticipated that PRM will be standard-size letter mail weighing one ounce or less. There is also a PRM rate for cards.

Organizations wishing to participate in PRM would need to maintain a certified, high quality, easily-audited system for determining the amount of mail received. Since PRM is especially targeted at the billing/remittance portion of the mailstream, the Postal Service anticipates that participating organizations will already have in place sophisticated automated payment systems that maintain a high degree of quality control due to their financial nature. The homogeneity of the PRM mailpieces coupled with the degree of quality control inherent in a payment system should make these systems amenable to audits and the level of fee proposed. Pieces of different sizes and shapes are not the type contemplated for PRM or the mailer systems which would process PRM. Size and shape imply weight and rate differences which complicate the auditing process.

RESPONSE OF U.S. POSTAL SERVICE WITNESS FRONK
TO INTERROGATORIES OF NDMS

RESPONSE to NDMS/USPS-T32-41 (continued)

(c) Please see my response to parts (a) and (b). Weight-averaging will not be an option for a mailer participating in the PRM program. Weight averaging does not leave an audit trail or create the reports and documentation that an automated system does. Administering weight averaging audits would involve frequent involvement of Postal mail processing personnel to confirm counts, and would be more costly than the type of audit contemplated by the PRM proposal.

RESPONSE OF U.S. POSTAL SERVICE WITNESS FRONK
TO INTERROGATORIES OF NDMS

NDMS/USPS-T32-42. Please refer to your testimony in this docket, at page 39, where you state that each business participating in the proposed PRM program "would need to maintain a certified, high-quality, easily auditable system for determining the amount of mail received." Without regard to whether various types of mail are automatable, or would qualify for PRM as proposed by the Postal Service:

- a. Please define the standards for certification of the mailer's system for determining the amount of mail received.
- b. Please define "high quality," as you use the term and explain the standards by which quality is measured with respect to the envisioned auditing system(s).
- c. Please define "easily audited," as you use the term.

RESPONSE: Your question asks me to assume away mail characteristics that are inherent to the PRM proposal, namely that PRM be automatable and meet Postal Service requirements. Because the envisioned mailer systems and Postal Service auditing practices are premised on PRM that is automatable and meets Postal Service requirements, I am unable to make the assumptions you request. Nevertheless, in the interests of being as responsive as possible, I will answer as best I can.

(a) The implementing regulations for PRM have not yet been developed. Since the Postal Service in other areas (for example, for reverse manifests) requires that mailer-supplied postage calculations be within 1.5 percent of the Postal Service's audit calculation, this standard may also be applied to PRM.

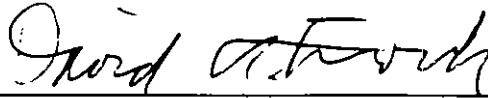
(b)-(c) As indicated in my response to NDMS/USPS-T32-41, PRM systems are likely to involve remittance processing. Such systems are high quality in the sense they are automated, involve strict quality control procedures due to the fact they handle considerable amounts of money, and typically capture and report a significant amount of data on pieces processed and customer payments. These features lead to PRM systems that are "easily audited" in that records can be routinely created and maintained as part of the business that the Postal Service can later compare against the number of pieces the mailer actually paid for. Note that such documentation could be maintained at sites where the mail is actually received and processed, which could be a third-party lockbox operation.

DECLARATION

I, David R. Fronk, hereby declare, under penalty of perjury, that the foregoing Docket No. R97-1 interrogatory responses are true to the best of my knowledge, information, and belief.

9-18-97

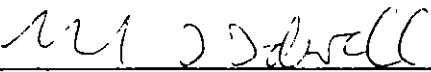
Date



David R. Fronk

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.


Michael T. Tidwell

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September 19, 1997