

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 SCHENK
TO INTERROGATORY OF NASHUA, DISTRICT, MYSTIC & SEATTLE
(NDMS/USPS-T32-39)**

The United States Postal Service hereby files the response of Leslie Schenk to the following interrogatory of Nashua, District, Mystic & Seattle, dated September 4, 1997: NDMS/USPS-T32-39.

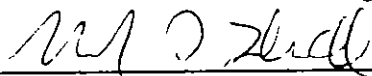
Redirected from witness Fronk, the interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



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September 19, 1997

RESPONSE OF POSTAL SERVICE WITNESS SCHENK TO
INTERROGATORIES OF NDMS REDIRECTED FROM WITNESS FRONK

NDMS/USPS-T32-39.

- a. Suppose a mailer with a BRMAS account received only one piece of BRMAS mail on a particular day during Base Year 1996. (i.) What would be the Postal Service's cost to count and account for that piece of mail? (ii.) Would you agree that the cost of debiting the mailer's advance deposit account would exceed the 2 cent fee? (iii.) Would you agree that in Test Year 1998, the cost of debiting the mailer's account would likely exceed the proposed 6 cent per-piece QBRM fee?
- b. During Base Year 1996, if the same mailer received the following number of pieces of BRM on a particular day, what would be the Postal Service's total cost to count and account for that mail? (i.) 10; (ii.) 100; (iii.) 1,000; (iv.) 10,000.
- c. During Test Year 1998, would the proposed QBRM 6-cent per-piece fee cover the cost of counting and accounting for the following number of QBRM mailpieces? (i.) 10; (ii.) 100; (iii.) 1,000; (iv.) 10,000.

RESPONSE:

- a. (i.) The cost to count and rate one piece of BRMAS mail received on a particular day will depend on a number of factors. Does the particular BRM recipient typically receive only one piece per day? Are the recipients daily volumes on average high or low? How many other BRM recipients receive BRMAS mail at the same facility, and what is the relative volume of the one mail recipient compare with those of the others? These factors, as well as site-specific resource constraints, will determine whether the BRMAS mail for any one particular BRM recipient is processed through a BRMAS operation, or manually. The relative volumes and number of separations will affect the productivity in either the BRMAS or manual operation, which will in turn affect the cost associated with any one particular piece. For those pieces that are counted and rated on a BRMAS operation, and assuming that the BRMAS operation has an average productivity of 8,207 pieces counted and rated per hour, the unit cost of all counting and rating activities is:

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RESPONSE to NDMS/USPS-T32-39 (continued)

(\$0.0127) = \$0.0064 line [11]
+\$0.0040 line [12]
- \$0.0231 line [15]; all figures from Exhibit USPS-27C

For those BRMAS-rated BRM that are counted and rated manually in the Postage Due Unit, assuming that the average productivity in that unit is 454 pieces per hour counted and rated, the unit cost of all counting and rating activities is:

\$0.0596 = \$0.0827 line [13], Exhibit USPS-27C
- \$0.0231 line [15], Exhibit USPS-27C

The annual cost to account for advance deposit account mail (i.e., to set up the account and to debit the advance deposit account) is given by line [6] in Exhibit USPS-T27-F: \$276.93. Assuming that BRM is processed and received six days per week, the daily cost to maintain the advance deposit account is then \$1.78 (276.93 / 312).

(ii.) and (iii.) The per piece BRM fees for advance deposit accounts are designed to recover the volume-variable costs associated with counting and rating these volumes. The cost of debiting the BRM recipient's advance deposit account includes the costs associated with maintaining that account (including setting up the account, debiting daily postage due, notifying the mailer of a low balance). The fee for the advance deposit account is designed to recover these costs.

- b. I am assuming that your question is referring to the costs associated with BRMAS-rated BRM. For the test year, the per piece cost of counting and

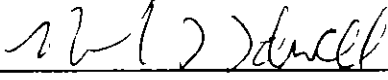
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rating BRMAS-rated BRM is \$0.0554, as shown in Exhibit USPS-27C. The total cost for a particular day for a particular volume of BRMAS-rated BRM would be obtained by multiplying the per piece cost by the number of BRMAS-rated BRM pieces received. The annual cost of maintaining an advance deposit account for BRMAS-rated mail is \$276.93, as shown in Exhibit USPS-27F.

- c. The proposed QBRM 6-cent per-piece fee does cover the cost of counting and rating QBRM mailpieces (which is \$0.0554, as stated in the response to part b.). *The daily cost of maintaining the advance deposit account is covered by the annual fee for that service.*

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.



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September 19, 1997