DOCKET SECTION

Exhibit BUG-T-1

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20068-0001

POSTAL RATE AND FEE CHANGES, 1997	Docket No. R97-1

DIRECT TESTIMONY OF
RICHARD E. BENTLEY
ON BEHALF OF
THE BROOKLYN UNION GAS COMPANY

December 30, 1997

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ATTACHMENT I QUALIFICATIONS OF RICHARD BENTLEY

I. QUALIFICATIONS

My name is Richard E. Bentley. I am president of Marketing Designs, Inc., a marketing and consulting firm.

I began my career as a market research analyst for the Postal Rate Commission in 1973 and remained there until 1979. As a member of the Officer of the Commission's technical staff, I testified before the Postal Rate Commission in four separate proceedings. After leaving the Commission in 1979, I testified before the Commission as a private consultant in all six major cases, most recently in Docket No. R94-1. I have also testified in two of the more recent classification cases, Docket Nos. MC95-1 and MC96-3.

Since March 1982 I have been president of Marketing Designs, Inc., which provides specialized marketing services to various retail, commercial, and industrial concerns as well as consulting services to a select group of clients.

I received a Bachelor of Science degree in Industrial Engineering/Operations Research from Cornell University in 1972. The following year I was awarded a Master's degree in Business Administration from Cornell's graduate School of Business Public Administration. I am a member of Tau Beta Pi and Alpha Pi Mu engineering Honor Societies.

I have included a more detailed account of my 20 years of experience as an expert witness on postal ratemaking as Attachment 1 to this testimony.

II. PURPOSE OF TESTIMONY

The Brooklyn Union Gas Company (Brooklyn Union) has asked me to review the Postal Service's proposed classification for Prepaid Reply Mail (PRM). This new rate category is designed to provide large volume First-Class Mail recipients of automation-compatible letters with a lower 30-cent rate, compared to the Postal Service's proposed 33-cent First-Class rate. Under the Postal Service's proposal, qualified PRM recipients will be required to distribute pre-approved, pre-barcoded envelopes to mailers, perform all the necessary accounting functions (counting, rating, bill determination, and record keeping) to determine the amount of postage due, and to prepay the postage. PRM recipients will also be required, as a condition of qualifying for participation in this program, to agree to and complete periodic audit procedures by the Postal Service.

Brooklyn Union is currently a large user of BRMAS Business Reply Mail. As such, it is a prime candidate to take part in the PRM program.

III. OVERVIEW

After extensive research, the Postal Service has carefully formulated a rate proposal that focuses on certain types of very efficient, low-cost First-Class letters by establishing a separate rate category for such letters. I have reviewed the Service's testimony and find that there is no question that the PRM concept provides a rate that

appropriately and more closely reflects the actual costs of processing such mail.

Brooklyn Union views the conceptual underpinning for the Postal Service's PRM rate category very favorably. In general, the Postal Service's PRM proposal represents an important and welcome initiative by the Service to offer new, more flexible services to mailers where the facts and circumstances warrant rates that more closely reflect costs. Brooklyn Union believes that there are reasonable assurances that both the participating mail recipients and the Postal Service will realize material benefits from implementation of the PRM concept.

Brooklyn Union is favorably impressed by the concepts inherent in the Postal Service's PRM proposal, and endorses the mailer pre-certification program for determining postage due as well as the $1,000 per month fee to reflect the auditing of accounting procedures performed by the reply mail recipient. There are, however, two minor modifications to the Service's presentation that I urge the Commission to consider.

First, under the Service's proposed concept, PRM recipients are required to prepay postage on reply letters that they are "expected" to receive. If the volume of pieces actually returned is different from that expected, accounting adjustments are to be made at some future date. Requiring PRM recipients to prepay postage on the expected volume

unnecessarily complicates the proposal. Accordingly, I recommend that postage be paid on the exact number of pieces when they are delivered. Such a proposal would allow participating reply mail recipients to pay postage in the same manner that BRMAS BRM recipients currently pay for the BRM pieces they receive.

If my proposal is accepted, then the name of the new rate category should be changed from Prepaid Reply Mail to Bulk Automated Reply Mail (BARM) to avoid confusion to mailers.

Second, reply mail received in bulk quantities is almost always addressed to a post office box. Since such mail by definition avoids the carrier delivery system, these additional savings can be safeguarded if such a requirement is implemented. Accordingly, I recommend that all PRM (or BARM, as I call it) be required to be addressed to a post office box.

IV. THE POSTAL SERVICE'S PRM PROPOSAL

In this case, the Postal Service has proposed for the first time to create a separate rate category called Prepaid Reply Mail (PRM), for certain high volume return mail recipients. In concept, the reduced rate of 30 cents is designed to provide an appropriate incentive to high volume recipients to distribute low-cost pre-barcoded and automation-compatible letters to mailers. I note that this is the same First Class

Mail rate that the Postal Service is proposing to charge recipients of Qualified Business Reply Mail (QBRM).

The concept of offering a lower rate to certain types of reply mail is not new. It has evolved after several years of controversy regarding the wisdom and feasibility of implementing a separate classification or rate category for Courtesy Envelope Mail (CEM) and Public Automation Rate (PAR) Mail.[1] Many business mailers provide self-addressed, automation compatible pre-barcoded envelopes to their customers with billing statements, for the convenience of their customers as well as to insure timely receipt of customers' payments. There are many other uses of reply envelopes. In most cases, postage is affixed to these pre-printed reply envelopes by individual mailers, who return the reply envelopes to the original business mailer/recipient. However, in the case of Business Reply Mail, which is simply another form of reply mail, the recipient rather than the mailer pays the postage.

The appropriateness of a lower rate relates, in part,[2] to the lower costs that the Postal Service incurs to process certain kinds of reply mail. Reply mail envelopes that are pre-printed with a pre-barcode and a face identification

[1] The Commission first mandated the establishment of a CEM discount in Docket No. R87-1. The PAR discount was proposed in Docket No. R90-1. In that same docket, Brooklyn Union witness Michael Courtien proposed the establishment of a separate discounted First-Class Mail rate for BRMAS BRM received in bulk.

[2] In the case of PRM, as discussed more fully below, the fact that the mail is, by definition, delivered in high volumes allows the Postal Service to achieve substantially greater efficiencies.

mark (FIM) can be readily identified and separated by facer/canceler machines, processed at lightning speeds on barcode sorters, and delivered expeditiously. The automation-compatible and pre-barcode attributes allow qualified reply mail to incur attributable costs that are far lower than the average First-Class letter. Consequently, this mail currently contributes on a per piece basis far more to institutional costs than most other kinds of First-Class single piece letters.

The concept of PRM takes reply mail cost savings one step further. Under the Postal Service's proposal, it will receive $1,000 per month from PRM recipients. The primary purpose for this $1,000 per month fee is to cover the Postal Service's cost of establishing and auditing the accounting procedures and functions performed by PRM recipients. An important additional benefit of this fixed monthly fee, however, is that it requires a potential participating reply mail recipient to receive a certain minimum volume of return mail pieces in order for participation in the PRM program to be advantageous to the reply mail recipient.[3] Thus, the Service has carved out a portion of the total reply mail universe and limited its proposed PRM rate

[3] Under the Service's proposal, the absolute minimum or "breakeven" volume for potential PRM recipients is 200,000 pieces per year. (USPS-T-32, Workpaper III). I should note, however, that this calculation of a breakeven volume does not include the additional recipient-specific administrative costs related to establishing appropriate procedures to insure accurate mail counts and postage payable reporting, the ongoing costs of maintaining and optimizing such procedures, and the costs associated with satisfactorily completing the Postal Service's periodic sampling and audit procedures. If anything, the 200,000 minimum is low.

category to those recipients who receive large volumes and who are willing to pay the postage.

The advantage to the Postal Service of requiring participating PRM recipients to have a certain minimum volume is two-fold. First, the Service is assured of enjoying not only the cost savings provided by reply mail in general (discussed above), but significant additional savings as well. Reply mail received in large quantities is usually addressed to recipients who are assigned their own unique 9-digit or 5-digit zip codes. This allows the mail to by-pass various postal processing operations, such as (1) the sort to carrier route, (2) the incoming secondary sort, and, in some cases, (3) the incoming primary sort. Moreover, such mail is usually addressed to a post office box, by-passing the entire carrier delivery network with its attendant high unit costs. [4] As noted above, I recommend that the Commission *require* all PRM to be addressed to a post office box. This requirement will insure that the Postal Service will, in fact, realize additional cost savings because, by definition, all PRM will by-pass the delivery network and will be picked up by the recipient.

The second advantage of requiring reply mail to be delivered in large volumes relates to the operational feasibility and administrative efficiency of the PRM program.[5] The Postal Service's testimony shows that it is very

[4] According to the Postal Service, delivery costs approximately 4 cents per piece. See Exhibit USPS-29C (revised 10/1,97), p. 1.

[5] According to the Postal Service, the PRM rate concept is workable only if the recipient pays the postage. USPS witness Fronk assumed that a similar proposal whereby the mailer pays the postage is simply "unfeasible". (Tr. 4/1570) See also USPS-T-32, p. 37.

expensive for the Postal Service to perform the counting, rating and billing of reply mail, especially where the volumes received by individual reply mail recipients are relatively small. In contrast, PRM recipients who receive large quantities of mail can perform the counting, rating, and billing functions much more efficiently through the use of weight averaging techniques or computers. In other words, the fact that a PRM recipient, by definition, receives a large volume of reply mail pieces serves to minimize the unit accounting cost. The resulting PRM category is therefore limited by design to a subset of the reply mail universe. Such recipients generate reply letters that are efficiently processed at low cost and achieve even greater efficiencies for the system because the reply mail pieces are received in bulk quantities.[6]

In fact, the cost to process and deliver these reply letters is comparable to, if not less than, the cost of processing and delivering a First-Class Automation letter.[7] To illustrate, consider a national mailer who includes PRM envelopes in its outgoing First-Class Automation mailing. Mailer "A" presorts 10,000 outgoing bulk letters and later receives in bulk the 10,000 enclosed PRM reply envelopes returned by individual mailers. Figure 1 graphically illustrates the two contrasting mail flows.

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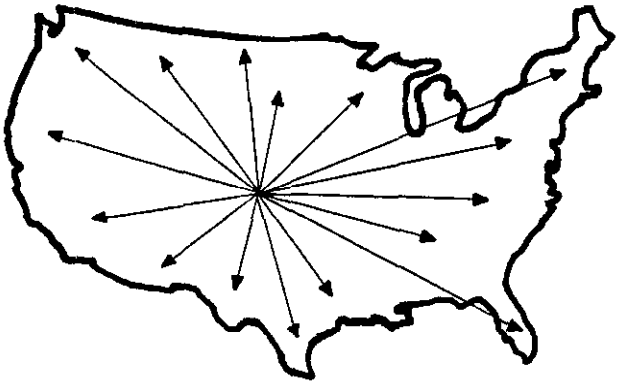
[6] The basis for the PRM rate is not the reduced cost incurred by reply mail received in bulk. Rather, the PRM rate is based on the cost savings associated with pre-barcoding an automation-compatible letter compared to a non-pre-barcoded, hand-addressed letter.

[7] The unit labor processing plus delivery cost for PRM is estimated to range from 4.1 to 5.8 cents, depending upon the degree to which PRM is distributed after the outgoing primary sort. Comparable costs for First-Class Automation letters are 6.6 cents (5-Digit), 8.2 cents (3-Digit) and 9.0 cents (Basic). See Exhibit BUG-1A.

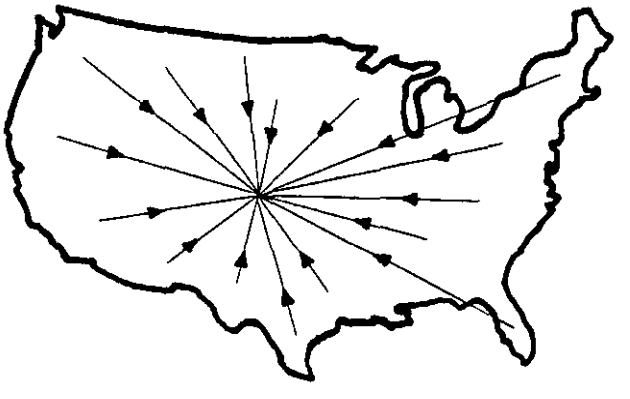
Figure 1

Illustration of National First-Class Automation and PRM Mail Flow

Automation Mailer "A" (Outgoing Automation Letters)



Automation Mailer "A" (Incoming PRM Letters)



The Postal Service's costs for processing the mail for each of these two types of mail is considerably lower than that of an average First-Class letter. Table 1 provides the estimated unit processing plus delivery costs, USPS proposed revenues, and the *relative* unit contribution to institutional costs for Mailer A's outgoing (Automation) and incoming (PRM) letters and for an average non-presorted First-Class letter.

Table I
Comparison of Labor Plus Delivery Costs and Unit Revenues
For PRM, Average Automation and Average First-Class Letters

Type of First-Class Letter	Total Labor Plus Delivery (Cents)	USPS Proposed 1-Ounce Revenue (Cents)	Revenue Less (Labor Plus Delivery) (Cents)
Average PRM	5.2	30.0	24.8
Average Automation	7.9	26.2	18.3
Average Non-presorted	16.7	33.0	16.3

Souce: Exhibit BUG-1A

Under the Service's proposed rates, PRM will contribute over 6 cents more per piece to institutional costs than First-Class Automation Mail, and over 8 cents more per piece to institutional costs than an average First-Class letter. Because of the disparity in the relative required unit institutional cost contributions, the logic and fairness for charging PRM a reduced rate of 30 cents becomes abundantly clear.

V. ACCOUNTING PROCEDURES

A key provision of the Postal Service's PRM proposal is that the accounting functions of counting and rating are performed not by the Postal Service at postage-due units but by the recipient. USPS Witness Fronk maintains that these functions must be "workable for both mailers and [the] Postal Service." (USPS-T-32, p. 6) He goes on to explain that "... prepayment of postage would be based on the average percentage of envelopes returned, not on the full number of envelopes distributed..." (Id.) But Mr. Fronk has not explained why postage must be "prepaid" through what appears to be an elaborate additional accounting procedure. The prepayment requirement appears to conceptually and administratively complicate the role of the new rate category when, in fact, no such complication is needed. PRM is simply QBRM received in bulk where the recipient performs all the accounting and billing functions normally performed by the Postal Service.

There is no legitimate reason for a requirement that postage be paid when the reply envelopes are distributed to the recipients' customers. For guidance in resolving this matter, the Commission need look no further than the existing advance deposit account mechanism used to pay for BRMAS BRM. BRMAS BRM recipients like

Brooklyn Union are not required to make estimates of reply mail return percentages or make deposits into their accounts based on such estimates before the outgoing envelopes carrying the reply mail pieces are placed into the postal system. They are simply required to have adequate funds on deposit to cover the cost of postage before the reply mail pieces are delivered to them by the Postal Service. While I recognize that there is a theoretical difference in having the recipient receive the PRM mail before postage is actually determined and paid, there is no practical reason to create a new, complicated accounting procedure to accommodate this theoretical difference. Instead, a far more workable requirement would be one that sets a minimum account balance that must be on deposit before the recipient takes delivery of the day's reply mail pieces.

For example, the minimum balance in an advance deposit account could be set, initially, at the discretion of the Postal Service on a case-by-case basis and adjusted later as the Postal Service and the recipient gain experience with the return mail patterns of the particular recipient. The advantages are obvious. First, there is no need to estimate the percent return, that is, the number of letters that will be returned compared to the number of envelopes distributed. And second, there is no need to adjust the advance deposit account to

reflect actual volumes versus anticipated volumes that have already been paid for.

Utilizing the BRMAS BRM advance deposit accounting system as a model for the PRM service payment system has other obvious advantages. The Postal Service's own analyses indicate that most of the PRM reply mail volume will come from mailers who migrate to PRM service from BRMAS BRM service. Therefore, utilizing the basic advance deposit accounting mechanism that these mailers already are familiar with will help to smooth the transition to PRM service for PRM mail recipients and the Postal Service operational personnel who must implement the new program.

Finally, should the Commission agree that requiring postage to be prepaid unduly complicates the Postal Service's PRM proposal, I recommend that the name of this mail category be changed to avoid confusion. Since the postage would no longer be "prepaid," the name "Prepaid Reply Mail" simply would not apply. Therefore, I recommend that the new rate category be called Bulk Automated Reply Mail (BARM).

VI. CONCLUSION

The Postal Service should be congratulated for developing its new, innovative PRM concept. The goal of offering cost-based rates

reduces cross-subsidization within the First-Class single piece rate category, encourages mailers to provide letters that are less costly to process, and results in a rate schedule that is more fair and equitable. The Postal Service's PRM proposal fosters that goal and should be approved by the Commission.

One aspect of the Postal Service's proposal, whereby the Service requires prepayment of postage, does not seem necessary. Consequently, I urge the Commission to require postage to be paid on reply mail pieces as they are delivered. As such, the name Prepaid Reply Mail *should be changed to Bulk Automated Reply Mail.*

A second improvement to the Postal Service's proposal should be a formal requirement that all qualifying Bulk Automated Reply Mail be addressed to a Post Office Box. This will insure that this mail will not incur any carrier delivery costs.

That completes my testimony.

Attachment 1

QUALIFICATIONS OF RICHARD BENTLEY

Richard Bentley is president of Marketing Designs, Inc., a marketing and consulting firm.

Mr. Bentley began his career as a market research analyst for the Postal Rate Commission in 1973 and remained until 1979. As a member of the Officer of the Commission's technical staff (now Office of the Consumer Advocate) his responsibilities included analysis of USPS costs, volumes, rates and operations. As a witness on behalf of the Officer of the Commission, Mr. Bentley testified before the Postal Rate Commission in five separate proceedings. In Docket No. MC73-1, Mr. Bentley filed rebuttal testimony concerning the Postal Service's bound printed matter proposal.

In Docket Nos. MC76-1 and MC76-3, Mr. Bentley testified on changes proposed by the Officer of the Commission to the Domestic Mail Classification Schedule. Those changes concerned proposals to establish local First-Class rates and to eliminate third-class single piece as a separate subclass. With regard to the latter, it is interesting to note that in the current proceeding, the Postal Service proposes to eliminate this subclass for similar reasons he gave more than 20 years ago.

In Docket No. R77-1, Mr. Bentley presented proposed rates for all classes of mail and services, including the projected volumes that would result from those rates. He also analyzed the rates proposed by the Postal Service and critiqued the volume projections presented in support of its proposals.

In Docket No. MC78-1, the Postal Service proposed to restructure parcel post rates by asking the Commission to establish new rates for parcel post mailed in bulk and for a parcel post nonmachinable surcharge. Mr. Bentley presented two pieces of testimony in that docket--one concerned with the rate aspects of the Postal Service's proposal and one concerned with the parcel post volume projections.

In 1979, Mr. Bentley left the Postal Rate Commission to become a senior program engineer for Systems Consultants, Inc. (now Syscon Corporation), a national consulting firm. There, Mr. Bentley's responsibilities included the analysis and estimation of life cycle costs required to research, develop, manufacture, and maintain various weapon system programs for the Department of Defense. He developed cost estimating relationships and completed a computerized model for estimating future weapon system program costs.

In addition, Mr. Bentley testified before the Postal rate Commission in Docket No. R80-1 concerning presorted First-Class mail rates and second-class within county rates.

After leaving Syscon in 1981, Mr. Bentley started his own company, Marketing Designs, Inc., which provides specialized marketing services to various retail, commercial, and industrial concerns as well as consulting services to a select group of clients.

In Docket No. R84-1, Mr. Bentley testified on behalf of the Council of Public Utility Mailers and the American Retail Federation in favor of an increased First-Class presort discount. At that time Mr. Bentley presented a methodology for estimating cost differences between processing First-Class single piece and presorted letters that eventually become the foundation for the Commission's "Appendix F" methodology for supporting First-Class presorted discounts.

In Docket No. C86-3, Mr. Bentley testified on behalf of Roadway Package System concerning a proposed special rate increase for parcel post. In Docket Nos. R87-1 and R90-1, Mr. Bentley testified on behalf of the Council of Public Utility Mailers, the National Retail Federation, Brooklyn Union Gas, and other First-Class mailers. Mr. Bentley recommended and supported various rate discount proposals for presorted First-Class mail, and a lower fee for "BRMAS" business reply mail.

In the last omnibus rate proceeding, Docket No. R94-1, Mr. Bentley testified on behalf of Major Mailers Association with respect to several issues that concerned First-Class rates. These included the relationship between the proposed cost coverages for First- and third-class, the rates for First-Class incremental ounces, prior year losses, and the Postal Service's changes to the Commission's city delivery carrier out-of-office cost methodology. In addition, Mr. Bentley worked on behalf of Brooklyn Union Gas to have the Postal Service's proposed tripling of the "BRMAS" BRM fee rejected, although he did not file any formal testimony.

In Docket Nos. MC95-1 and MC96-3, Mr. Bentley again represented Major Mailers Association. In Docket No. MC95-1 he endorsed the overall classification concept proposed by the Postal Service for First-Class Mail and suggested that the First-Class second and third ounce rate be reduced for letter-shaped pieces. In Docket No. MC96-3, Mr. Bentley compared the attributable costing approaches between the Postal Service and Commission and asked that the Commission require the Postal Service to provide the impact of proposed changes utilizing established attributable cost methodologies. This testimony was the impetus for Docket No. RM97-1 and resulted in the Commission amending Rule 54(a)(1) to require the Postal Service to make such a cost presentation.

In 1972, Mr. Bentley received a Bachelor of Science degree in Industrial Engineering/Operations Research from Cornell University. The following year Mr. Bentley was awarded a Master's degree in Business Administration from Cornell's graduate School of Business and Public Administration (now the Johnson Graduate School of Management). Mr. Bentley is a member of Tau Beta Pi and Alpha Pi Mu Engineering Honor Societies.

Exhibit BUG-1A

Estimation Of Labor Plus Delivery Costs For PRM, Average Automation and Average First-Class Letters

Estimation Of Labor Plus Delivery Costs for PRM, Average Automation and Average First-Class Letters

First-Class Rate Category	(1) Total Labor Cost	(2) Delivery Operations	(3) Total Labor Plus Delivery (1) + (2)	(4) USPS Proposed 1-Ounce Revenue	(5) Revenue Less (Labor Plus Delivery) (4) - (3)
PRM (Basic after primary sort)	5.8 1/	0 2/	5.8	30.0	24.2
PRM (3-Digit after primary sort)	5.7 1/	0 2/	5.7	30.0	24.3
PRM (5-Digit after primary sort)	4.1 1/	0 2/	4.1	30.0	25.9
Estimated Average PRM	**5.2 1/**	**0 2/**	**5.2**	**30.0**	**24.8**
Basic Automation	5.3 3/	3.7 3/	9.0	27.5 4/	18.5
3-Digit Automation	4.5 3/	3.7 3/	8.2	26.5 4/	18.3
5-Digit Automation	3.0 3/	3.6 3/	6.6	24.9 4/	18.3
Average Automation	**4.2 3/**	**3.6 3/**	**7.9**	**26.2 4/**	**18.3**
Average Non-presorted	**11.7 5/**	**5.0 6/**	**16.7**	**33.0**	**16.3**

1/ See page 2

2/ Assumed to be zero because of high volume received

3/ See page 4

4/ See page 5

5/ LR H-106, p. II-5

6/ Exhibit USPS-29C, p. 1

Estimation of Labor Costs for PRM

Outgoing PRM Sort Depth After Outgoing Primary Sort	(1) Modeled Unit Labor Cost (Cents)	(2) Non-Modeled Unit Labor Cost (Cents)	(3) Mail Preparation (Cents)	(4) Unit Labor Cost (1) + (2) + (3)	(5) TY BR Est.Volume Percentage
Basic	4.1487	1.0153	0.683	5.8469	33%
3-Digits	3.9910	0.9903	0.683	5.6643	33%
5-Digits	2.6569	0.7787	0.683	4.1186	33%
Weighted Average				5.2094	

Col (1) Derived on pages 3 and 4

Col (2) Col (1) x .1586 + .3573; see Exhibit USPS-25A, p. 1

Col (3) Attachment to POIR No. 5 Question 19 response

Col (5) The exact volume mix after the outgoing primary sortation is unknown. Due to the lack of data, assume an equal distribution. This is a conservative assumption since PRM will exhibit very high densities, especially near the delivery office, because of the high volumes received by each PRM recipient.

Development of First-Class PRM Mail Processing Model Unit Costs
(If Sorted to Basic After the Outgoing Primary)

Outgoing Primary	TPF	Pieces Per Hour	Wage Rate	Cents Per Piece	Piggyback Factor	Premium Pay Adj	Cents Per Piece	Weighted Cost
MPBCS/DBCS	9,818	7,054	25.445	0.3607	1.8988	0.0040	0.6889	0.6764
Manual	673	527	25.445	4.8283	1.3399	0.0531	6.5225	0.4390
Source: Exhibit USPS-T-23D								
ADC/AADC Distribution								
Manual	398	759	25.445	3.3524	1.372	0.0369	4.6364	0.1845
BCS	5,569	7,467	26.445	0.3542	1.719	0.0039	0.6127	0.3412
SCF Operations								
Manual	58	896	29.445	3.2863	1.327	0.0361	4.3970	0.0255
BCS	3,397	7,467	30.445	0.4077	1.719	0.0045	0.7054	0.2396
Incoming Primary								
Manual	322	562	$25.45	4.5276	1.372	0.0498	6.2616	0.2016
BCS	1,496	7,467	$25.45	0.3408	1.719	0.0037	0.5895	0.0882
Incoming Secondary								
Manual/Non-Auto Sites	1,347	1,143	$25.45	2.2262	1.372	0.0245	3.0788	0.4147
Manual/Auto Sites	1,482	646	$25.45	3.9389	1.372	0.0433	5.4474	0.8073
BCS	2,231	6,633	$25.45	0.3836	1.719	0.0042	0.6636	0.1481
DBCS First-Pass	5,724	8,393	$25.45	0.3032	2.434	0.0033	0.7412	0.4243
CSBCS First-Pass	5,438	17,124	$25.45	0.1486	1.948	0.0016	0.2911	0.1583
Source: Exhibit USPS-T-25, Appendix I, p. 13						MODEL COST		4.1487

Development of First-Class PRM Mail Processing Model Unit Costs
(If Sorted to 3-Digits After the Outgoing Primary)

Outgoing Primary	TPF	Pieces Per Hour	Wage Rate	Cents Per Piece	Piggyback Factor	Premium Pay Adj	Cents Per Piece	Weighted Cost
MPBCS/DBCS	9,818	7,054	25.445	0.3607	1.8988	0.0040	0.6889	0.6764
Manual	673	527	25.445	4.8283	1.3399	0.0531	6.5225	0.4390

Source: Exhibit USPS-T-23D

Incoming Primary								
Manual	935	562	$25.45	4.5276	1.372	0.0498	6.2616	0.5855
BCS	9,657	7,467	$25.45	0.3408	1.719	0.0037	0.5895	0.5693
Incoming Secondary								
Manual/Non-Auto Sites	1,345	1,143	$25.45	2.2262	1.372	0.0245	3.0788	0.4141
Manual/Auto Sites	1,242	646	$25.45	3.9389	1.372	0.0433	5.4474	0.6766
BCS	2,306	6,633	$25.45	0.3836	1.719	0.0042	0.6636	0.1530
DBCS First-Pass	5,916	8,393	$25.45	0.3032	2.434	0.0033	0.7412	0.4385
CSBCS First-Pass	1,330	17,124	$25.45	0.1486	1.948	0.0016	0.2911	0.0387

Source: Exhibit USPS-T-25, Appendix I, p. 16 MODEL COST 3.9910

Development of First-Class PRM Mail Processing Model Unit Costs
(If Sorted to 5-Digits After the Outgoing Primary)

Outgoing Primary	TPF	Pieces Per Hour	Wage Rate	Cents Per Piece	Piggyback Factor	Premium Pay Adj	Cents Per Piece	Weighted Cost
MPBCS/DBCS	9,818	7,054	25.445	0.3607	1.8988	0.0040	0.6889	0.6764
Manual	673	527	25.445	4.8283	1.3399	0.0531	6.5225	0.4390

Source: Exhibit USPS-T-23D

Incoming Secondary								
Manual/Non-Auto Sites	1,345	1,143	$25.45	2.2262	1.372	0.0245	3.0788	0.4141
Manual/Auto Sites	852	646	$25.45	3.9389	1.372	0.0433	5.4474	0.4641
BCS	2,427	6,633	$25.45	0.3836	1.719	0.0042	0.6636	0.1611
DBCS First-Pass	6,227	8,393	$25.45	0.3032	2.434	0.0033	0.7412	0.4616
CSBCS First-Pass	1,400	17,124	$25.45	0.1486	1.948	0.0016	0.2911	0.0408

Source: Exhibit USPS-T-25, Appendix I, p. 18 MODEL COST 2.6569

Estimation of Labor and Delivery Costs for Average First-Class Automation Letters

Automation Presort Level	(1) Modeled Unit Labor Cost (Cents)	(2) Non-Modeled Unit Labor Cost (Cents)	(3) Unit Labor Cost (1) + (2)	(4) Unit Delivery Cost (Cents)	(5) Labor + Del Unit Cost (3) + (4)	(6) USPS Proposed 1-Ounce Unit Revenue (Cents)	(7) TY BR Volume (Mil)	(8) TY BR Volume Percentage (5) / 34,303
Basic	4.2822	1.0365	5.3187	3.7110	9.0297	27.5	4,285	12%
3-Digits	3.6167	0.9309	4.5476	3.6520	8.1996	26.5	20,643	60%
5-Digits	2.3038	0.7227	3.0265	3.5730	6.5995	24.9	9,375	27%
Weighted Average			4.2282	3.6378	7.8660	26.2	34,303	100%

Col (1) Exhibit USPS-25A, p. 1

Col (2) Id.

Col (4) Exhibit USPS-29C, p. 1

Col (5) Exhibit USPS-25A, p. 2

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.

Dated at Washington, D.C., this 30th day of December 1997.

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