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UNITED STATES OF AMERICA
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

Postal Rate and Fee Changes

Docket No. R97-1

PRESIDING OFFICER'S INFORMATION REQUEST NO. 6

(November 13, 1997)

The Postal Service is requested to provide the information described below to assist in developing a record for the consideration of its request for changes in rates and fees. In order to facilitate inclusion of the requested material in the evidentiary record, the Postal Service is to have a witness attest to the accuracy of the answers and be prepared to explain to the extent necessary the basis for the answers at our hearings. The answers are to be provided within 14 days.

1. Please refer to USPS LR-H-111, Dropship Savings in Periodicals and Standard Mail (A), Appendix F, which has five pages. Refer also to the spreadsheet showing the actual calculations behind this appendix. The first column on the first page shows productivities in "units per manhour." The second column shows deflated productivities under the heading "with variability." The spreadsheet shows these deflated productivities to be equal to the multiplicative product of the column 1 productivities and witness Bradley's (USPS-T-14) cost variabilities. Apparently, the deflated productivities are meant to reflect the lower levels of volume variable costs that result from witness Bradley's lower cost variabilities for mail processing. On pages 3 and 4 the wage rate (with adjustments) is divided by the deflated productivities to obtain dollars per unit, which is further converted into dollars per piece. A wage rate divided by a deflated productivity yields a larger cost savings. However, the effect of reduced cost variabilities should be smaller cost savings. The Postal Service is asked to provide a

rationale for the sequence of manipulations that leads to inflated cost savings due to reduced cost variabilities.

2. Witnesses Taufique (USPS-T-34) and Kaneer (USPS-T-35) propose a new approach to developing the pound rate for editorial (defined as non-advertising) matter in Regular, Nonprofit, and Classroom Periodicals. One justification for this new approach focuses on an interest in keeping the implicit cost coverage on editorial matter from being below 100 percent. This coverage, however, is heavily influenced by *both* the editorial pound rate and the editorial per-piece benefit. Accordingly, please discuss the justification for proposing to elevate this coverage by adjusting only the editorial pound rate.

3. Due in part to variations in proposed average rate increases, the base year to test year volume changes are markedly different for each of the three parcel post components, intra-BMC, inter-BMC, and DBMC. As explained in USPS-T-37 (including Workpapers I.O and II.C), Alaskan Bypass is part of the intra-BMC component and the Official Mail Accounting System (OMAS) is part of the inter-BMC and DBMC components. In view of the different volume changes, please explain why the ratios of (a) Alaskan Bypass revenue to total parcel post revenue and of (b) OMAS revenue to total parcel post revenue are each the same in the test year as in the base year. Also, please discuss whether it would be appropriate, as an alternative, to project the revenues of Alaskan Bypass and OMAS as fixed proportions of the parcel post components in which they are included.

4. WS 7.0.4.2, line 75, "Summary - Accrued Costs, Load" is the sum of lines 50d, "Total Distributed Load Costs Minus Time at Stop," 33h, "Accrued Reg. Box Load," and 33i, "Load - EM Box." Please confirm that it should be the sum of lines 50d, 33h, and 33g, "Accrued EM Box Load."

5. Please provide pages II-2 and II-2A of LR H-301.

6. In USPS-LR-H-207 "Diskette of Witness Plunkett's (USPS-T-40) Testimony and Workpapers," WP-6 "Merchandise Return Permits," witness Plunkett forecasts the sale of 1,307 permits for the test year, but does not present any Merchandise Return transactions. Please provide the Merchandise Return transactions and the revenue generated by these transactions for the test year.



Edward J. Gleiman
Presiding Officer