

ORIGINAL

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

SPECIAL SERVICES REFORM, 1996

Docket No. MC96-3

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS PATELUNAS TO INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T5-10-12)

The United States Postal Service hereby provides responses of witness Patelunas to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-T5-10-12, filed on July 19, 1996. Interrogatories OCA/USPS-T5-5-9 were redirected to the Postal Service.


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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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August 2, 1996



Answer of Richard Patelunas to the Interrogatories of
Office of the Consumer Advocate
to United States Postal Service

OCA/USPS-T5-10.

Exhibit USPS-T-5A at 7 shows that the attributable costs for postal cards for FY 95 are \$33,182 thousand.

a) USPS-T-8 at 106 shows that the GPO office manufacturing costs for government postal cards for FY 95 are \$4,352,568. Is the \$4,352,568 included in the \$33,182 thousand? If not, what are the attributable costs for manufacturing postal cards in FY 95? Please provide citations or supporting documents.

b) If for FY 95 all costs incurred to manufacture government postal cards were not treated as attributable costs, please provide the amount that was treated as institutional costs.

OCA/USPS-T5-10 Response:

a) The \$33,182 thousand includes the \$4,352,568 manufacturing costs.

This is shown in my workpaper WP-B, W/S 16.1.1, page 1, col (3) line (4); W/S 16.1.2, page 1, col (3) line (21); and W/S 3.2.7.

b) No manufacturing costs were treated as institutional.

Answer of Richard Patelunas to the Interrogatories of
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OCA/USPS-T5-11

Exhibit USPS-T-5C at 10 shows a per-piece cost for postal cards of 7.5 cents. The per-piece cost for private cards is 16.2 cents. Please explain in detail why the unit costs for private cards are more than twice as high as the unit costs for postal cards.

OCA/USPS-T5-11 Response:

There are no certain reasons for the difference in unit costs, although there are some speculative reasons. Part of the explanation may be that postal cards are less costly to process because they are more compatible with mechanization and automation. For example, postal cards are designed to a uniform size and shape for equipment compatibility, and private cards are various sizes, shapes and flexibility. Also, address hygiene may be better considering the uses of postal cards and private cards. Postal cards might be used by businesses and organizations to notify addressees of sales or upcoming events, and to the extent the addressing is done by mailing lists and computer generated labels, the addresses would be clean. Private cards though, might be used to send greetings from a vacation spot and as such, would probably be handwritten and less clean. Another result of the different uses may be that the organizational use is of a more local nature; whereas, the vacation greeting may be from a remote vacation site.

Answer of Richard Patelunas to the Interrogatories of
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OCA/USPS-T5-11 continued:

It is also possible that postal cards are misidentified as private cards during data collection. The relatively small volume of postal cards compared to the total volume of cards processed could cause data collection errors biased towards categorizing cards as private even if they aren't. This is not a new development nor has it gone unnoticed. Since Fiscal Year 1990, the unit cost of postal cards has been less than one-half of the unit cost of private cards. A remedy to the misidentification problem is proposed in this case: simply treat cards as cards without the postal-private distinction. As this question seems to postulate, there should be no distinction in costs other than the manufacturing costs. Providing a special service line item for stamped cards similar to stamped envelopes accomplishes this.

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OCA/USPS-T5-12.

Exhibit USPS-T-5C at 10 shows a per-piece cost for postal cards of 7.5 cents. The per-piece cost for presorted private cards is 7.0 cents. If the unit cost of manufacturing government postal cards of 1.1 cents as shown in Table XXIX of USPS-T-8 is deducted from the 7.5 cents unit cost of postal cards, the unit cost of postal cards would be less than the unit costs of private presort cards. Please explain why the processing and delivery costs of government postal cards are less than the processing and delivery costs of private presort cards.

OCA/USPS-T5-12 Response:

The response provided to OCA/USPS-T5-11 also applies to this response. Additionally, since Fiscal Year 1990, with the exception of Fiscal Year 1995, the unit cost of postal cards including the manufacturing cost, has been less than the unit cost of presort private cards.

DECLARATION

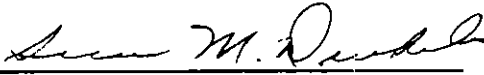
I, Richard Patelunas, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

A handwritten signature in cursive script, appearing to read "Richard Patelunas", written over a horizontal line.

Dated: 8-2-96

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.


Susan M. Duchek
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