

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  
TO INTERROGATORY OF NASHUA/MYSTIC  
(NM/USPS-7)  
(September 6, 1996)

The United States Postal Service hereby provides the response to the following interrogatory of Nashua/Mystic: NM/USPS-7, filed on August 8, 1996. Objections to interrogatories NM/USPS-8-27 were filed on August 19, 1996. A request for an extension of time until today to respond to NM/USPS-1-7 was filed on August 22, 1996. A second request for extension of time to respond to NM/USPS-1-6 is being filed today.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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Chief Counsel, Ratemaking

  
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September 6, 1996

POSTAL RATE COMMISSION  
DOCKETED  
SEP 6 1996  
OFFICE OF THE SECRETARY

RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF NASHUA PHOTO INC. AND MYSTIC COLOR LAB

**NM/USPS-7.**

a. Please confirm that on April 23, 1996, at the National Postal Forum in Anaheim, California, the prepared remarks of William J. Henderson, Chief Operating Officer and Executive Vice President of the United States Postal Service, included the following statement:

In three years, we will see \$9.6 billion of additional expenses. And growth in total costs for the five-year period out to the year 2000 will be in the \$17 billion range....Our current forecasts show a gap of \$12.4 billion.

b. Please provide a full definition of the "gap" referred to by Mr. Henderson.

c. Starting with either FY 1996 or FY 1997, indicate on a year by year basis the annual gap forecasted by Mr. Henderson until it reaches the cumulative total of \$12.4 billion.

RESPONSE:

a. Confirmed.

b. The gap referred to by Mr. Henderson is the amount by which cumulative net income (equity restoration) for the period FY 94 - FY 2000 would fall short of the amount required to meet the targets established by Board of Governors Resolution No. 95-9, Restoration of Equity and Recovery of Prior Years' Losses.

c. The gap referred to by Mr. Henderson covered the period FY 1994 - FY 2000 assuming a continuation of current trends and no rate increases after the one implemented on January 1, 1995. The annual amounts for the period FY 1994 - FY 1997 are shown below. Estimates for the Period FY 1998 - FY 2000 have not been provided because they are beyond both the test year and the year in which the proposed special services reforms would be implemented.

Net Income (Loss)  
GAP From Equity Restoration Target  
(\$millions)

1	2	3	4	5
Fiscal Year	Actual or Estimate	Needed to Meet BOG Target	Over/(Under) Target	Cumulative Amt.
				Over/(Under)
1994	(914)	(1,344)	430	430
1995	1,770	936	834	1,264
1996	923	936	(13)	1,251
1997	(652)	936	(1,588)	(337)

Column 2 - FY 94 & 95 reflect actual results. FY 96 & 97 reflect FY 97 President's Budget estimates.

Column 3 - FY 94 is Docket No. R94-1 estimated net loss for FY 94. FY 95 - 97 amounts reflect average annual Prior Years' Loss amount from Docket No. R94-1 Opinion.

**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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