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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 NEEDHAM  
TO QUESTIONS POSED DURING HEARINGS CONDUCTED  
ON SEPTEMBER 11, 1996

During the cross-examination of United States Postal Service witness Needham on September 11, 1996, the Postal Service was asked to provide information concerning postal card manufacturing costs (Tr. 4/1317) and circumstances in which cost presentations have been used in lieu of the CRA for pricing purposes (Tr. 4/1313-15).

The Postal Service hereby files witness Needham's responses to those questions.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking



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November 26, 1996

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TO QUESTIONS RAISED AT HEARINGS

QUESTION (Tr. 4/1317-18)

The Postal Service was requested to provide FY 1996 postal card manufacturing costs.  
Tr. 4/1317-18.

RESPONSE:

Final FY 96 figures have not yet been determined; however, the office of Stamp

Acquisition has reported the following information to me on year-to-date FY96 postal  
card manufacturing costs:

Invoice Amount = \$3,427,674.00

Postal Card Units = 295,120,000

Unit Cost (cents) = 1.161

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QUESTION: (Tr. 4/1315)

Please provide instances where pricing witnesses develop their own costing rather than use the costing that has been presented by the costing witness.

RESPONSE:

This question seeks information about the underlying basis for the use in my testimony of actual year-to-date figures for the manufacturing costs of postal cards. See USPS-T-8, page 106. The manufacturing costs used in my testimony were actual year-to-date costs obtained from the office of Stamp Acquisition. Witness Patelunas' costs presented in Exhibit USPS-T-5H, page 49, were forecasts. Although final figures for FY 1996 have not been completely verified, the Office of Stamp Acquisition advises that postal card manufacturing costs are very close to the figures I developed in my testimony. Although it is not routine for pricing witnesses to develop cost estimates in lieu of those available from costing witnesses, there have been instances in past dockets where the pricing witness, or a second costing witness, has developed costing for use in a pricing context in lieu of using CRA cost estimates. Examples include the following:

- 1) In Docket No. R90-1, Witness Lyons used costs developed separately from the CRA to determine First Class presort and ZIP + 4 discounts (see Docket No. R90-1, USPS-T-18).
- 2) In Docket No. R84-1, witness Cowell adjusted FY 82 costs to obtain third-class carrier route presort costs. (see Docket No. R84-1, USPS-T-15).

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- 3) As recently discussed in the Commission's Opinion and Recommended Decision in Docket No. MC96-2 (p.39), the Postal Service presented adjustments to CRA costs for classroom mail for purposes of designing rates in Docket No. R84-1.

**DECLARATION**


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

Susan W Needham

Dated: November 26, 1996

**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.

  
Anthony F. Alverno

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