

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS FRONK TO INTERROGATORY OF
THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T29-8)

The United States Postal Service hereby provides the responses of witness Fronk to the following interrogatory of the Office of the Consumer Advocate:
OCA/USPS-T29-8, filed on January 24, 2000.

The interrogatory has been redirected from witness Campbell to witness Fronk for response.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



Michael T. Tidwell

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February 7, 2000

RESPONSE OF U.S. POSTAL SERVICE WITNESS FRONK TO
INTERROGATORIES OF THE OCA REDIRECTED FROM
WITNESS CAMPBELL

OCA/USPS-T29-8. The Postal Service proposed and the Commission recommended a 75 percent passthrough of the cost savings for QBRM [in Docket No. R97-1]. Please confirm that your proposal passes through 90 percent (3.378 X 0.90) of the cost savings you calculated [in Docket No. R2000-1]. What changes occurred between R97-1 and R2000-1 that have caused you to increase the proposed percent of passthrough?

RESPONSE: Confirmed – my proposal passes through 90 percent of the cost savings calculated by witness Campbell. While this interrogatory states that the *Commission recommended a 75 percent passthrough in Docket No. R97-1*, I would note that this was not the case for Qualified Business Reply Mail (QBRM) cards. In Docket No. R97-1, the Commission recommended (and the Board of Governors approved) a 3-cent discount for letters (a 30-cent rate) and a 2-cent discount for cards (an 18-cent rate) [Docket No. R97-1 Opinion and *Recommended Decision at paragraph 5166*]. *The card discount ended up being 2 cents (rather than the proposed 3 cents) because the Commission did not accept the proposed single-piece card rate of 21 cents, but instead recommended holding the rate at 20 cents. Accordingly, the passthroughs recommended by the Commission in Docket No. R97-1 were 75 percent for letters and 50 percent for cards.*

In proposing the then-new QBRM rates for both letters and cards in Docket No. R97-1, I passed through 3 cents, or 75 percent of the cost savings of 4.0 cents estimated in that docket for letters and cards. As I testified at the time:

Not passing though the full amount of the estimated cost savings is consistent with past ratemaking practice involving new discounts. A conservative passthrough provides a hedge against the product attracting more volume from full-rated First-Class Mail than anticipated. At the same time, however, the new rate better aligns rates with costs [Docket No. R97-1, USPS-T-32 at page 46].

In the current docket, I have proposed discounts for both QBRM letters and cards of three cents below the proposed single piece rates of 34 cents for letters and 21 cents for cards. The result is a proposal to increase the QBRM

RESPONSE OF U.S. POSTAL SERVICE WITNESS FRONK TO
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RESPONSE to OCA/USPS-T29-8 (continued)

rate for letters by one cent (from 30 to 31 cents) and a proposal to maintain the QBRM rate for cards at 18 cents.

My proposed increase in the passthrough in the current docket is consistent with a discount that is now established.

DECLARATION

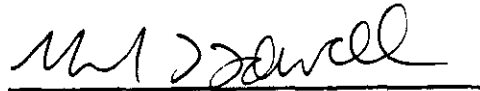
I, David R. Fronk, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

David R. Fronk
David R. Fronk

Dated: February 7, 2000

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.

A handwritten signature in cursive script, appearing to read "Michael T. Tidwell", is written above a horizontal line.

Michael T. Tidwell

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