

Before The
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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Postal Rate and Fee Changes

Docket No. R2000-1

RESPONSES OF THE UNITED STATES POSTAL SERVICE
WITNESS SMITH TO INTERROGATORIES OF
MAGAZINE PUBLISHERS ASSOCIATION
(MPA/USPS-T21-1)

The United States Postal Service hereby provides the responses of witness Smith to the following interrogatories of the Magazine Publishers Association: MPA/USPS-T21-1(a)-(c) and (j), filed on February 8, 2000.

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

Parts (d)-(i) of MPA/USPS-T21-1 have been redirected to Postal Service witness Yacobucci for response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking


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February 22, 2000

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SMITH
TO INTERROGATORY OF MAGAZINE PUBLISHERS OF AMERICA**

MPA/USPS-T21-1. Please refer to Table 4 from witness Degen's testimony in R97-1 (USPS-T-12) and to Table I from witness Van-Ty-Smith's testimony in R2000-1 (USPS-T-17). These two sources give total mailing processing costs by cost pool for 1996 and 1998, respectively. A comparison of these figures shows that the FSM cost pool increased by 41 percent over this two-year period, from \$737 million to \$1.04 billion. Over the same period, the MANF cost pool decreased by 11 percent, from \$515 million to \$460 million. Combining the figures for these two cost pools shows that the total costs for both mechanized and manual flats processing increased by 20 percent, from \$1.25 billion to \$1.50 billion.

- (a) Please provide total flats volumes for 1996 and for 1998, respectively, and further indicate the percentage change in flats volumes over this two-year period.
- (b) Please provide the unit cost for flats processing for 1996 and for 1998, respectively, and further indicate the percentage change in the unit cost over this two-year period.
- (c) If the unit cost for flats processing increased between 1996 and 1998, please explain why this occurred and further explain how any such increase is consistent with a general movement from manual to machined flats processing.
- (d) State what percentage of machinable flats is processed by manual methods and what percentage is processed by machine methods. Please provide figures for 1996, for 1998, and those projected for 2001.
- (e) State what percentage of machinable periodicals flats is processed by manual methods and what percentage is processed by machine methods. Please provide figures for 1996, for 1998, and those projected for 2001.
- (f) State what percentage of machinable First Class flats is processed by manual methods and what percentage is processed by machine methods. Please provide figures for 1996, for 1998, and those projected for 2001.
- (g) State what percentage of machinable Standard A flats is processed by manual methods and what percentage is processed by machine methods. Please provide figures for 1996, for 1998, and those projected for 2001.
- (h) State what percentage of machinable flats is projected to be processed on ASFM I00s in 2001.
- (i) State what percentage of machinable periodicals flats is projected to be processed on ASFM I00s in 2001.

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- (j) State the percentage of machinable periodicals flats that could be processed on ASFM 100s in 2001.

Response:

- a.-c. Please note that the sum of the FSM and MANF cost pools is not the "total costs for both mechanized and manual flats processing" as the introductory paragraph to this question states. The FSM and MANF cost pools are for FSM and manual flats sorting at MODS plants. This does not include the labor costs for stations, branches and non-MODS facilities.

The total flats volumes for FY 1996 and FY 1998 are, respectively, 43,363,715,000 and 51,146,314,000. There was an 18 percent increase between FY 1996 and FY 1998.

I am not sure what "unit costs for flats processing" is being requested. If I used the costs provided in the introductory paragraph to this question along with the volumes requested in part a, I come up with unit costs of 2.88 and 2.93 cents per piece for FY 1996 and FY 1998, respectively. This is a two percent increase in unit costs. This is not a useful or valid comparison for two reasons. First, as noted above, these costs are only for MODS plants. Second, these unit costs are the aggregate of many categories of flats, including carrier route and non-carrier route presort. For further information see my response to DMA/USPS-T21-2.

- d.-i. These parts are being answered by witness Yacobucci, USPS-T-25.

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j It is not clear what is requested on this part. See witness Yacobucci's response to parts d-i of this question as well as his response to MPA/USPS-T25-4.

DECLARATION

I, Marc A. Smith, hereby declare, under penalty of perjury, that the foregoing Docket No. R2000-1 interrogatory responses are true to the best of my knowledge, information, and belief.




Marc A. Smith

2/22/2000
Date

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.


Michael T. Tidwell

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