

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

RECEIVED
FEB 22 3 54 PM '00
POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

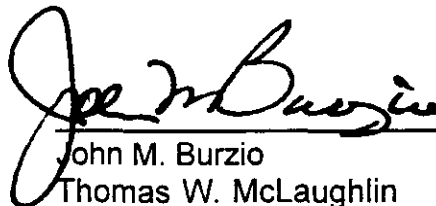
POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

INTERROGATORIES OF ADVO, INC.
TO UNITED STATES POSTAL SERVICE WITNESS
CHARLES CRUM (ADVO/USPS-T27-1-7)

Pursuant to sections 25 and 26 of the Rules of Practice, Advo, Inc. (Advo) directs the following interrogatories to United States Postal Service witness Charles Crum. If the witness is unable to respond to any interrogatory, we request that a response be provided by appropriate USPS witness capable of providing an answer.

Respectfully submitted,



John M. Burzio
Thomas W. McLaughlin
Burzio & McLaughlin
1054 31st Street, N.W.
Washington, D. C. 20007
Counsel for ADVO, INC.

CERTIFICATE OF SERVICE

I hereby certify that I have on this date served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.



Thomas W. McLaughlin

February 22, 2000

ADVO, INC. INTERROGATORIES TO USPS WITNESS CHARLES CRUM

ADVO/USPS-T27-1. With respect to the “BMC Realization Factor” identified as an input in LR I-175, Attachment D - Table 16, please provide the following:

- (a) An explanation of its original purpose.
- (b) An explanation of what it represents and how it has been used, in addition to the ratemaking analyses.
- (c) An explanation of what it represents in your analyses.
- (d) An explanation of how it was calculated.
- (e) When it was calculated.

ADVO/USPS-T27-2. With respect to the MTM productivities presented in Attachment E Tables 5, 6, and 7, please provide the following:

- (a) An explanation of their original purpose.
- (b) An explanation of how they have been used, in addition to the ratemaking analyses.
- (c) An explanation of how they were measured.
- (d) When they were calculated.
- (e) Confirmation that the productivities have not been changed since they were measured. If this is incorrect, please identify when each has been changed and describe how it was changed.

ADVO/USPS-T27-3. Please explain why it is appropriate to apply the BMC Realization Factor to the MTM productivities in the BMC models.

ADVO/USPS-T27-4. For the Personal Needs, Fatigue and Delay (PF&D) Factor, please provide the following:

- (a) An explanation of the original purpose for its measurement.

- (b) An explanation of how it has been used, in addition to the ratemaking analyses.
- (c) An explanation of what it represents in your analyses.
- (d) An explanation of how it was measured.
- (e) When it was calculated.

ADVO/USPS-T27-5. With respect to the Van-Ty-Smith (USPS-T-17, Table 1) mail processing variabilities that you use to adjust the MTM productivities in LR I-175, please confirm:

- (a) A variability of less than one means average unit costs decline as units of the cost driver increase. If you cannot, please explain why not.
- (b) Declining average unit costs can occur when there is either: (a) fixed cost in the cost pool and marginal cost is constant; or (b) there is no fixed cost but declining marginal unit costs; or (c) both fixed cost and declining marginal unit costs. If you cannot confirm, please explain why not.

ADVO/USPS-T27-6. Assume a cost pool has a variability less than one but has a constant unit marginal cost (at least for some operations within the cost pool), please confirm:

- (a) For those operations where there is constant unit marginal cost, avoidable unit cost equals constant unit marginal cost.
- (b) Applying a variability factor of less than one to the constant unit marginal cost reduces the estimate below its true value.
- (c) As long as there are any units to process, fixed costs in the cost pool are not avoidable with the elimination of some of the units.

If you cannot confirm, please explain why not.

ADVO/USPS-T27-7. In your analyses, you adjust the MTM productivity (unit time) by the (relevant) cost pool variability so that productivity increases when variability decreases (i.e., time to handle a unit decreases with variability). For those cost pools with a variability less than one, this treatment reduces unit operational cost and dropship cost avoidance. For each of the MTM productivities (unit times) listed in LR I-175, Attachment E, Tables 5, 6, and 7, (and unadjusted by the USPS-T-17 variabilities) please explain fully:

- (a) Why you do not consider the unit time to represent a constant marginal unit cost.
- (b) Whether you consider the unit time to include some measure of (unavoidable) fixed cost.
- (c) Whether you believe the unit time reflects declining marginal unit cost.