

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

FIRST INSTITUTIONAL INTERROGATORIES OF  
ASSOCIATION FOR POSTAL COMMERCE  
TO USPS  
(Postcom/USPS-1-4)

Pursuant to Sections 25 and 26 of the rules of practice, the Association for Postal Commerce submits the attached Institutional Interrogatories to the USPS (Postcom/USPS-1-4).

Respectfully submitted,



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March 1, 2000

## First Institutional Interrogatories of Postcom

**Postcom/USPS-1.** Please refer to the Semi-Annual Report of the Postal Service Office of Inspector General ("OIG") dated October 31, 1999 (for the period April 1, 1999 - September 30, 1999). Under the Inspector General's message section the following statement appears:

"In the last six months, with the support of the Postal Service Governors and the assistance of management and employees, we issued over 100 reports representing over \$1.1 billion in savings and potential cost avoidance during the current and future years."

(a) Does the Postal Service agree with the savings and potential cost avoidance estimates asserted by the OIG? Please explain in detail any disagreement with respect to the OIG's assertion of \$1.1 billion in savings and potential cost avoidance and set forth the amount of savings that the Postal Service itself estimates will result from such reports.

(b) To what extent, if at all, are the savings resulting from the OIG's reports explicitly reflected in the estimated revenues and costs that the Postal Service has used in this docket for FY1999? Please provide any studies or workpapers showing how the recommendations of the OIG were incorporated in the development of such estimates.

(c) To what extent, if at all, has the potential cost avoidance estimated by the OIG been explicitly incorporated into the Postal Service's revenue and cost forecasts for FY2000 and the Test Year? Provide any studies or workpapers showing how the OIG recommendations were incorporated in the development of such forecasts.

**Postcom/USPS-2.** How are costs and expenses of the Postal Inspection Service and the OIG reflected in (a) total accrued costs for the Base Year, (b) estimated costs for FY1999, (c) estimated costs for FY2000, and (d) estimated costs for the Test Year?

**Postcom/USPS-3.** Please refer to the Postal Service's response to PSA/USPS-3 in which it is stated that "estimated changes in accrued costs . . . are greater than the estimated changes" in the CPI for each of FY2000 and the Test Year.

(a) Please confirm that in its decision in Docket R97-1, the Commission recommended a reduction of the Postal Service's revenue request by approximately \$745 million of which approximately \$511 million were the result of known and certain changes to the estimates the Postal Service originally presented. If not confirmed, please explain why.

(b) To what extent, if at all, are the estimated changes in accrued costs for FY2000 and the Test Year greater than the estimated changes in the rate of inflation for

each of those years intended as an offset to either (or both) of the overall reduction in the revenue requirement in Docket R97-1 or the approximately \$511 million adjustment made by the Commission to reflect forecast errors in that case?

(c) To what extent, if at all, are the estimated changes in accrued costs for FY2000 and FY2001 greater than the estimated changes in the rate of inflation intended as an offset to the decision to defer until January, 1999 implementation of the rates recommended by the Commission in Docket R97-1?

**Postcom/USPS-4.** Please refer to the last sentence of the Postal Service's response to PSA/USPS-3 in which the Postal Service partially restates Witness Tayman's response to DMA/USPS-T-9-16 in these words: "The cumulative rate increase over the last two rate cycles is 5% below inflation."

(a) Is it the Postal Service's position that, because the average rate increase in the historic period (January, 1995 - January, 1999) proved to be lower than the cumulative rate of inflation for such period, this justifies projecting increases in accrued costs at greater than the rate of inflation for future years (FY2000 and the Test Year)? Please explain in detail any affirmative answer.

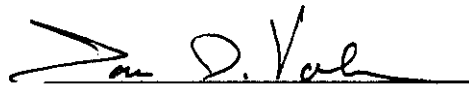
(b) Is it the Postal Service's position that, if the average rate increase in the historic period (January, 1995 - January, 1999) had exceeded the cumulative rate of inflation for that period, this would require the use of estimates of accrued costs for a future years (FY2000 and the Test Year) that are lower than the estimated changes in inflation for that period? Please explain in detail any affirmative answer.

(c) Please confirm that the last sentence of the Postal Service's response to PSA/USPS-3 is based on a comparison of rates of inflation to "average rate increase" as shown in Witness Tayman's response to DMA/USPS-T-9-16 and not to the rate increases experienced by individual subclasses of mail.

(d) If, in connection with the preparation of its filing in this docket, the Postal Service has performed any studies comparable to the comparison set forth in response to DMA/USPS-T-9-16 for any or all subclasses of mail, please provide a copy of such studies.

## CERTIFICATION

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding having requested service of discovery documents in accordance with Section 12 of the rules of practice.

  
Ian D. Volner

Dated: March 1, 2000