

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 MAYES
TO INTERROGATORY OF DOUGLAS CARLSON
(DFC/USPS-40)

The United States Postal Service hereby provides the response of witness Mayes to the following interrogatory of Douglas Carlson: DFC/USPS-40, filed on February 17, 2000. The interrogatory has been redirected from the Postal Service to witness Mayes 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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(202) 268-2998 Fax -5402
March 2, 2000

RESPONSE OF POSTAL SERVICE WITNESS MAYES TO DFC INTERROGATORIES
REDIRECTED FROM UNITED STATES POSTAL SERVICE

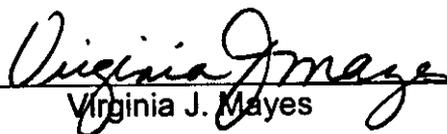
DFC/USPS-40. One factor the Commission considers in recommending postal rates is "the available alternative means of sending and receiving letters and other mail matter at reasonable costs." 39 U.S.C. [section] 3622(b)(5). Please explain how this criterion affects the Postal Service's requests for particular rates and cost coverages. For example, if no available alternative means exist to a particular service, does this fact imply a higher cost coverage for this service, or does it imply a lower cost coverage for this service?

Response:

Please refer to my testimony, beginning at page 20, where I discuss criterion 5 in the context of the rate level for each subclass. As I noted at page 5 of my testimony, "the lack of reasonable alternatives will reduce the measured price elasticity." The associated low own-price elasticity of demand can be taken to indicate a high value of service which criterion 2 would suggest be associated with a relatively high cost coverage. Because this consequence of available alternatives and the implications for a higher cost coverage are considered under criterion 2, criterion 5 has often been interpreted as providing a basis for deciding when a cost coverage should be mitigated, especially when alternatives are limited for some subset of the postal customers in question. Should there be abundant viable alternatives, suggesting a higher own-price elasticity and a lower cost coverage under consideration of criterion 2, criterion 5 has not generally been used to indicate that a higher cost coverage is necessary. It is my understanding that in the past, the Commission has cited some conflicting views of the implications of criterion 5, indicating that the existence of alternatives could lead to either an increase or decrease in rate level.

DECLARATION

I, Virginia J. Mayes, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

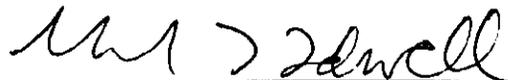

Virginia J. Mayes

Dated:

2-2-00

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 black ink, appearing to read "Michael T. Tidwell", written over a horizontal line.

Michael T. Tidwell

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Docket No. R2000-1

NOTICE OF THE UNITED STATES POSTAL SERVICE CONCERNING ERRATA
TO LIBRARY REFERENCE I-160 (ERRATUM)

The United States Postal Service hereby provides notice of the filing of errata to one page of Library Reference I-160. Filed on January 12, 2000, the library reference contains 25 footnotes on page 3 of Section B. The formulae in the second column of footnotes (17 through 25) contain erroneous input references. For instance, footnote 17 reads "[10] / [13]", when it should read "[11] / [14]"; and footnote 25 reads "[22] + [23]", but should read "[23] + [24]".

A copy of revised page 3 of Section B of USPS-LR-I-160 is attached.

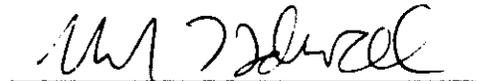
This revised page 3 of Section B, with corrected footnotes 17 though 25, replaces the page originally filed as a part of USPS-LR-I-160 on January 12, 2000.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



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Determination of Volume Variable Costs of low-volume QBRM
Sorting, Counting, Rating and Billing Activities
TY01

Method of final piece count:
BRMAS software report
EOR report
Manual/Other

Method of Postage Due Activities:

BRMAS
PERMIT/Other software
Manual/Other

Method and finest depth of sortation of BRM

To customer manually
To customer by BCS
By BRMAS
Other

Hourly wage rate, Postage Due Clerk
Piggyback factor, Business Reply

Incoming secondary - Automation Basic Presort First-Class Letters

\$28.24 [11]
1.456 [12]
\$0.0211 [13]

Direct & Indirect	Direct	Indirect	
Cost/Piece	Cos/Piece		
745 [14] \$0.0379 [17]	\$0.0552 [20]		
951 [15] \$0.0297 [18]	\$0.0432 [21]		
7.461 [16] \$0.0038 [19]	\$0.0055 [22]		

Marginal Manual Rating/Billing Productivity, Postage Due Unit
Marginal Manual Counting/Distribution Productivity, Postage Due Unit
Marginal PERMITS Rating and Bill Generation Productivity, Postage Due Unit

Weighted cost per piece (direct & indirect)

Per piece Cost Avoidance, Incoming Secondary

Net incremental direct & indirect cost (clerical processing)

\$0.0567 [23]
(\$0.0088) [24]
\$0.0479 [25]

Footnotes

- [1]-[3] BRM Practices Study, Docket No. R97-1, USPS LR-H-179, Table 13
- [4]-[6] 1999 Survey, see Appendix 1, Table 2
- [7]-[10] BRM Practices Study, Docket No. R97-1, USPS LR-H-179, Table 8
- [11] USPS LR-I-106, Part VIII, Table VIII, p. VIII-2
- [12] MODS 18 piggyback, USPS-T-21, Attachment 14
- [13] USPS-T-24, Appendix I, page 24
- [14] See Campbell USPS-T-29 Workpaper II
- [15] See Campbell USPS-T-29 Workpaper II
- [16] Docket No. R97-1, USPS-T-27, Exhibit USPS-27C, [6] (adjusted for 100 percent volume variability)

- [17] [11]/[14]
- [18] [11]/[15]
- [19] [11]/[16]
- [20] [12] * [17]
- [21] [12] * [18]
- [22] [12] * [19]
- [23] [1] * 0 + [2] * 0 + [3] * [21] + [4] * 0 + [5] * [22] + [6] * [20]
- [24] -(17)/[13]
- [25] [23]+[24]

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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