

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 BOZZO
TO INTERROGATORY OF
ADVO, INC.
REDIRECTED FROM WITNESS CRUM
(ADVO/USPS-T27-6)

The United States Postal Service hereby provides the response of witness Bozzo to the following interrogatory of Advo, Inc.: ADVO/USPS-T27-6, filed on February 22, 2000, and redirected from witness Crum.

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



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March 7, 2000

Response of United States Postal Service Witness Bozzo
to Interrogatory of Advo, Inc.
(Redirected from Witness Crum, USPS-T-27)

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-T27-6 Response.

- a. Confirmed that the cost avoided by reducing output by one unit (i.e., on the margin) would be the hypothesized constant marginal cost.
- b. I cannot provide a positive or negative confirmation without knowing the object to which "the estimate" refers and the technical meaning of "applying."
- c. Partly confirmed. If some of the hypothesized "fixed" (non-volume-variable) costs were specific to a given product, then if eliminating "some of the units" were to eliminate all units of that product, a portion of the "fixed" costs might be avoided. If the hypothesized "fixed" costs are not product-specific, whether they are avoidable even with elimination of all units of output depends on whether they are incremental to the cost pool's output taken as a whole.

DECLARATION

I, A. Thomas Bozzo, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

A. Thomas Bozzo

Dated: 3/7/00

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 cursive script, appearing to read "Susan M. Duchek", is written above a horizontal line.

Susan M. Duchek

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