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

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POSTAL RATE AND FEE CHANGES, 2000

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Docket No. R2000-1

AMERICAN BANKERS ASSOCIATION AND  
NATIONAL ASSOCIATION OF PRESORT MAILERS  
JOINT INTERROGATORIES TO USPS WITNESS MAYES  
(ABA&NAPM/USPS-T32-1-6)  
(March 17, 2000)

Pursuant to Sections 25 and 26 of the Rules of Practice of the Postal Rate Commission, the American Bankers Association and the National Association of Presort Mailers hereby submit these joint interrogatories and requests for production of documents. The instructions included with interrogatories ABA&NAPM/USPS-T24-1-24 (February 18, 2000) are hereby incorporated by reference.

ABA&NAPM/USPS-T32-1 Please confirm that ratemaking criterion 6 of the Postal Reorganization Act [(39 U.S.C. § 3622(b)(6))]:

- a. does not exclude mailer preparation of First Class single piece letters and flats
- b. refers to "reducing costs to the Postal Service", not only volume variable costs or attributable costs
- c. does not specify the technical means by which rates are to reflect criterion 6
- d. does not limit the cost reductions from mailer preparation to attributable costs or volume variable costs

ABA&NAPM/USPS-T32-2

- a. Please explain how you calculated the 3.4% and 3.8% numbers found in your testimony on page 20, lines 13 and 16, respectively.
- b. Please confirm that the percentage rate increase for one ounce single piece letters in this case, which you reference in the same sentence as a one cent increase “to 34 cents”, is 3.0%, not “3.4 percent”.
- c. Please confirm that the unweighted average rate increase for one ounce First Class workshared letters (in all worksharing categories) in this case is 4.2%, not 3.8%.

ABA&NAPM/USPS-T32-3 Regarding your statement on page 10, lines 10-11, that “[w]orksharing removes attributable costs but leaves institutional costs unchanged.”:

- a. please confirm that your statement only applies to costs changes at the margin, not the incremental costs to the Postal Service of having to process an additional 45 billion pieces of First Class workshared letter mail per year, were such volumes transferred from private sector to USPS for processing.
- b. Please confirm that the costs to the Postal Service of collecting and preparing an additional 45 billion pieces of letter mail per year would entail an increase in institutional costs.

ABA&NAPM/USPS-T32-4 On page 17, lines 10-12, you state that “any excess of revenue over incremental cost means that the Postal Service’s provision of that subclass benefits other subclasses.”

- a. Please explain in full detail what you mean by “benefits”.
- b. Please confirm that the larger the revenue contribution over incremental cost by a subclass, the larger the benefit conferred on other subclasses.
- c. In your testimony, did you consider how to quantify these benefits?
- d. If your answer to c. is in the negative, would a quantitative determination of

those benefits, if it was made, influence the rates set in this case?

- e. Apart from the purely technical definition relating cross subsidy to [perfectly measured] incremental costs, please confirm that your statement says in essence that “any excess of revenue over incremental cost means that the Postal Service’s provision of that subclass subsidizes the provision of other subclasses.” If you do not confirm, please explain fully.

ABA&NAPM/USPS-T32-5 You state on page 21, lines 11-12, that “The percentage increase for First Class Letters of 3.5% ranks as one of the lowest increases proposed in this case”. Please confirm that the percentage increases as proposed in this case for First Class Workshared Letters first ounce are not 3.5%, but between 3.7% and 4.92%, while the rate increase for First Class single piece letters is 3.0%.

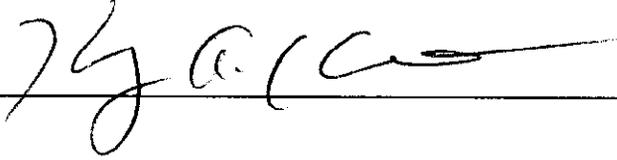
ABA&NAPM/USPS-T32-6 On page 23, line 5, you indicate that proposed revenues for First Class Letter Mail “substantially exceeds” incremental costs. You then in the very next sentence at line 8, go on to claim that this is “fair and equitable”.

- a. Do revenues that exceed incremental costs by a moderate amount but not a “substantial” amount meet the incremental cost test for lack of a cross subsidy?

Why would it not be as fair and equitable (or more fair and equitable) for First Class Letter Mail revenues to exceed incremental costs by a moderate amount rather than a substantial amount?

Respectfully submitted,

AMERICAN BANKERS ASSOCIATION  
NATIONAL ASSOCIATION OF PRESORT MAILERS

By:  \_\_\_\_\_

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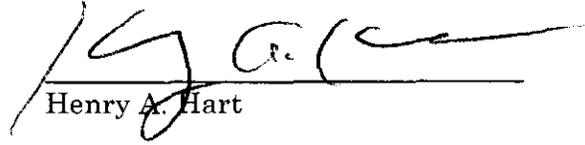
Date: March 17, 2000  
Washington, D.C.

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**CERTIFICATE OF SERVICE**

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

  
Henry A. Hart

March 17, 2000