

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

RECEIVED
MAR 21 2 21 PM '00
POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

Postal Rate and Fee Changes, 2000

Docket No. R2000-1

**NEWSPAPER ASSOCIATION OF AMERICA
SECOND SET OF INTERROGATORIES TO
UNITED STATES POSTAL SERVICE WITNESS
VIRGINIA MAYES (NAA/USPS-T32-31-38)
March 21, 2000**

The Newspaper Association of America hereby submits the attached interrogatories to United States Postal Service witness Virginia Mayes (NAA/USPS-T32-31-38) and respectfully requests a timely and full response under oath.

Respectfully submitted,

NEWSPAPER ASSOCIATION OF AMERICA

Robert J. Brinkmann
NEWSPAPER ASSOCIATION OF AMERICA
529 14th Street, N.W.
Suite 440
Washington, D.C.
(202) 638-4792

By: William B. Baker
William B. Baker
E. Joseph Knoll
Isaac R. Campbell
WILEY, REIN & FIELDING
1776 K Street, N.W.
Washington, DC 20006-2304
(202) 719-7255

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the instant document on all participants requesting such service in this proceeding in accordance with section 12 of the Rules of Practice.

March 21, 2000

William B. Baker
William B. Baker

NEWSPAPER ASSOCIATION OF AMERICA
SECOND SET OF INTERROGATORIES TO
UNITED STATES POSTAL SERVICE WITNESS
VIRGINIA MAYES (NAA/USPS-T32-31-38)

NAA/USPS-T32-31: Please refer to your answer to NAA/USPS-T32-21 where you state that Library Reference LR-I-149 demonstrates that "the cost coverage for [Standard Commercial] ECR as proposed by the Postal Service does not represent a reduction in the cost coverage relative to what the Commission recommended in Docket No. R97-1." Please also refer to USPS-LR-I-149, "PRC Version/Table of Markups", specifically to the spreadsheet named "LR-I-149.xls".

- a. What comparisons of cost coverages or indexes did you make from the data in LR-I-149 and how were they made in reaching this conclusion.
- b. The 2nd column is labeled "Markups, Replic. PRC, R2000-1." Please cite the library reference spreadsheet or document which contains the backup for these calculations. If such backup is not currently available, please provide it. Please also explain the intent of the calculations.
- c. The 5th column is labeled "Markup Indices, Replic. PRC R2000-1." Please cite the library reference spreadsheet or document which contains the backup for these calculations. If such backup is not currently available, please provide it. Please also explain the intent of the calculations.
- d. The 6th column is labeled "Markup Indices, USPS Proposal R2000-1." Please cite the library reference spreadsheet or document which contains the backup for these calculations. If such backup is not currently available, please provide it. Please also explain the intent of the calculations.

NAA/USPS-T32-32. Please refer to your answer to NAA/USPS-T-32-20, where you state you believe that the cost coverage for ECR Mail in this case represents a lower mark-up index than the Commission's recommendation in Docket No. R97-1. Please reconcile this with your answer to NAA/USPS-T-32-27(a) where you state that

NEWSPAPER ASSOCIATION OF AMERICA
SECOND SET OF INTERROGATORIES TO
UNITED STATES POSTAL SERVICE WITNESS
VIRGINIA MAYES (NAA/USPS-T32-31-38)

the "cost coverages are not comparable because of the shifting of the system-wide average."

NAA/USPS-T32-33. Please refer to your response to NAA/USPS-T-32-6(a), where you state that "better cost control for the competitive product" could provide a rationale for rate increases for competitive services lower than the rate of inflation and the system-wide average.

- a. By "better cost control," do you mean lower percentage changes in volume variable costs as measured by the Postal Service since Docket No. R97-1?
- b. If not, please explain what you mean.
- c. Would, conversely, "worse cost control for the competitive product" provide a rationale for a rate increase for the competitive service greater than the rate of inflation or the system-wide average?

NAA/USPS-T32-34. Please refer to the direct testimony of USPS Witness Bernstein, USPS-T-41, page 106, where he computes the "marginal cost change" from R97-1 to R2000-1 for ECR Mail as 12.5%. In LR-I-156, he identifies the test-year "marginal cost" of ECR Mail as 0.75163, which is the same as Witness Moeller's measure of Before-Rates volume variable cost per unit (Moeller WP1, page 8). In Table 14D, Witness Bernstein computes the overall per piece percentage increase in marginal cost as 11.4%.

- a. Did you consider these relative percentage cost changes in proposing your cost coverages and increases in revenue/piece for ECR Mail? If so, how?

NEWSPAPER ASSOCIATION OF AMERICA
SECOND SET OF INTERROGATORIES TO
UNITED STATES POSTAL SERVICE WITNESS
VIRGINIA MAYES (NAA/USPS-T32-31-38)

- b. Please reconcile: (1) your conclusion that "cost control for the competitive product" would be relevant to the relationship between the proposed percentage rate increase for the competitive service and the system-wide percentage average (see your response to NAA/USPS-T32-6), and (2) Witness Bernstein's calculation that ECR marginal (i.e., volume variable) costs have increased faster than the system average, with your conclusion that the proposed cost coverage for ECR does not represent a reduction relative to that recommended by the Commission in Docket No. R97-1.

NAA/USPS-T32-35. Please refer to your answer to NAA/USPS-T32-7. Please describe the "reports of rate changes for several private companies which provide delivery services," please indicate:

- a. The time period covered by the reports
b. The number of reports
c. The nature of the rate changes described in those reports.

NAA/USPS-T32-36. Please confirm that the Postal Service does not have data sufficient to compare delivery performance across all classes and subclasses of mail. If you cannot confirm, please provide the comparative delivery performance of the Postal Service across all classes in the Base Year.

NEWSPAPER ASSOCIATION OF AMERICA
 SECOND SET OF INTERROGATORIES TO
 UNITED STATES POSTAL SERVICE WITNESS
 VIRGINIA MAYES (NAA/USPS-T32-31-38)

NAA/USPS-T32-37. Please complete, for the Base Year, the information requested on the following chart :

	Percent of total volume	Percent of total revenue	Percent of total institutional cost contribution	Average unit contribution (in cents per piece)
First Class Mail				
Standard (A) (commercial) mail (Regular and ECR combined)				
Standard (A) (commercial) Enhanced Carrier Route Mail				

**NEWSPAPER ASSOCIATION OF AMERICA
 SECOND SET OF INTERROGATORIES TO
 UNITED STATES POSTAL SERVICE WITNESS
 VIRGINIA MAYES (NAA/USPS-T32-31-38)**

NAA/USPS-T32-38. Please complete, for the Test Year, the information requested on the following chart :

	Percent of total volume	Percent of total revenue	Percent of total institutional cost contribution	Average unit contribution (in cents per piece)
First Class Mail				
Standard (A) (commercial) mail (Regular and ECR combined)				
Standard (A) (commercial) Enhanced Carrier Route Mail				