

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

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MAYES
TO INTERROGATORIES OF VAL-PAK DIRECT MARKETING SYSTEMS, INC.,
VAL-PAK DEALERS' ASSOCIATION, INC., AND CAROL WRIGHT
PROMOTIONS, INC.
(VP-CW/USPS-T32-4 THROUGH 10)

The United States Postal Service hereby provides the responses of witness Mayes to the following interrogatories of Val-Pak Direct Marketing Systems, Inc., Val-Pak Dealers' Association, Inc., and Carol Wright Promotions, Inc.: VP-CW/USPS-T32-4 through 10 (filed on March 8, 2000).

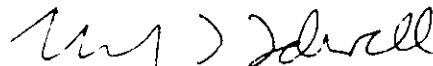
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
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March 22, 2000

RESPONSE OF POSTAL SERVICE WITNESS MAYES TO VP-CW INTERROGATORIES

VP-CW/USPS-T32-4.

Your testimony at page 38 (11. 11-12) states that delivery of ECR mail may be deferred.

- a. Under Postal Service standards, regulations or other guidelines what is the maximum length of time that ECR Mail can be deferred (i) at a DDU, (ii) at a DSCF, (iii) at a DBMC, (iv) at a OBMC, and (v) at a OSCF?
- b. Assume that Standard A ECR Mail is entered at an OBMC and deferred the maximum allowable time at each successive facility through which it passes. What is the maximum deferral possible (within established standards) from time entered until delivered?
- c. Does the Postal Service keep any kind of records on either (i) the number of occasions that ECR Mail is actually deferred, or (ii) the length of deferral when ECR Mail is deferred? Please explain any answer that is not an unqualified negative, identify the type of records kept, and provide available data on deferral.

Response:

- (a) Please refer to the Postal Operations Manual (POM 8) at sections 458.1 through 458.345, attached for your convenience.
- (b) Please see my response to subpart (a) above. In addition, this question cannot be answered without knowledge of the distance and/or transit time between the origin BMC and the destination.
- (c) I am informed that no records are kept on the number of occasions that ECR mail is deferred or on the length of such deferral. It is my understanding that mail condition reports are prepared daily to identify mail inventory but these reports do not track specific shipments and do not compare delayed mail with specific shipments in inventory the previous day.

workloads and total piece handlings are reduced because of expanded mechanized mail processing at ADCs. Greater use of mail sorting equipment is reflected in improved productivity and makeup of directs.

457 **Scheme Distribution**

457.1 **General**

Scheme distribution is a systematic plan to move all classes of mail from originating office to destination office. ZIP Code, ZIP+4 code, Delivery Point Sequence (DPS) code, and general schemes are used to distribute mail to proper separations.

457.2 **City Schemes**

A city scheme is an official published list of elements of address for the distribution of incoming mail.

458 **Color Code Policy for Bulk Business Mail (BBM)**

458.1 **Objectives**

The objective and intent of this policy is to ensure the timely processing, dispatch, and delivery of bulk business mail (BBM), which is bulk Standard Mail (A), within established service commitments.

- a. All outgoing, ADC, or SCF BBM, regardless of where received must be coded with a color representing the day on which the mail is scheduled to be *cleared*.
- b. All other destinating BBM must be coded with a delivery color representing the scheduled day of *delivery*. Once applied, the color code must remain on the mail until it is taken out for delivery. The delivery color code must be applied as outlined in the specific facility portions of this policy.

458.2 **General Principles**

The following principles apply to distribution, dispatch, and delivery of BBM:

- a. All BBM must be distributed within the framework of the approved operating plan. The application of color codes to BBM is based upon the arrival of the mail being used with the facility critical entry time. Arrival at the facility is defined as the day and time the mail arrives on Postal Service property.
- b. If BBM is commingled with a higher class of mail in such a manner as it loses its identity, the BBM will be considered upgraded and will be treated as the higher class of mail.
- c. If a holiday falls upon a scheduled delivery day, the application of the normal color code will be maintained to allow for proper sequencing in any downstream operation.

- d. Color coding will not be the sole indicator used in evaluating what mail constitutes a plan failure (as related to mail condition reporting), but *compliance with approved operating plan parameters will be the determining factor.*
- e. There are no prohibitions against management agreements being made below the national level that *accelerate the color coding and/or delivery expectations for any BBM versus this policy.*
- f. Color code tags used to identify *Clearance Day* targets in outgoing, ADC, and SCF operations are to be removed prior to dispatch to downstream operations, but *Delivery Day* color codes are to remain with the mail until it is taken out for delivery, unless otherwise *specifically noted in these instructions.*
- g. Anytime BBM is sent back upstream (backflowed) for DPS, automated, or other processing, the mail must retain the original color coding and *delivery schedule as if it had remained in the downstream unit.*
- h. Offices should make every effort to adhere to mailer-requested in-home delivery dates and such mail should not be delivered earlier than *requested by the mailer.*

458.3 Color Coding Procedures by Facility

458.31 Bulk Mail Centers

458.311 Application of Color Codes

The application of color codes to BBM is based upon the arrival of the mail being used with the facility critical entry time. Arrival at the facility is defined as the day and time the mail arrives on Postal Service property. BMCs must develop local procedures to ensure that they maintain the correct color code for all mail, based on its arrival on the premises, until it is dumped, and will also ensure that volume in the system is expedited as much as possible.

458.312 Standard Mail (A)

All outgoing Standard Mail (A) will be coded with a 1-day color code representing the day on which the mail is scheduled to be cleared. After processing is completed, the clearance day tags used in outgoing operations are to be removed prior to dispatch to downstream operations/facilities. (See Exhibit 458.312 for the applicable color coding procedures.)

Exhibit 458.312 One-Day Clearance Matrix

Receipt Day	Color Code	Clearance Day
Saturday	white	Sunday
Sunday	blue	Monday
Monday	orange	Tuesday
Tuesday	green	Wednesday
Wednesday	violet	Thursday
Thursday	yellow	Friday
Friday	pink	Saturday

458.313 Area Distribution Center or Sectional Center Facility Function

If a BMC either shares responsibility for completing an ADC or an SCF function (sometimes identified as the 115/185 operation) with another processing facility, or is itself a designated ADC or SCF, the mail processed in such an operation must be coded with a 1-day color code indicating the day the operation should be cleared. *Such color code tagging must be consistent with the arrival of the mail on postal premises*, and not when it is extracted or identified from a mechanized operation. After processing is completed, remove the clearance day tags used in the ADC/SCF operation prior to dispatch to downstream operations. If any further distribution is performed below the ADC/SCF level in the BMC, then the portion of these instructions applicable to a P&DC, ADC, delivery unit, etc., are to be applied, as appropriate. (See Exhibit 458.312 for the applicable color coding procedures.)

458.314 Incorrectly Coded and Non-Color-Coded BBM

When BBM is discovered in a facility after its initial receipt without color codes or incorrectly identified with multiple color codes, and it cannot be reasonably determined what the color code should be, follow these procedures:

- a. If the mail is identified with multiple color codes, then the oldest color code is assumed to be correct, even if the clearance/delivery date has passed.
- b. If mail is observed without any color code at all, then it is to be color coded with the same clearance/delivery color code as the oldest mail in the unit at the time of its discovery.
- c. If mail is observed without any color code at all, and there is no other mail in the unit at the time of its discovery, then it is to be color coded with today's clearance/delivery color code and treated as if it were delayed.

458.32 Processing and Distribution Centers, Processing and Distribution Facilities, Mail Processing Facilities and Centers, and Customer Service Mail Processing Facilities**458.321 Application of Color Codes**

The application of color codes to BBM is based upon the arrival of the mail being used with the facility critical entry time. Arrival at the facility is defined as the day and time the mail arrives on Postal Service property. All the above listed facilities must develop local procedures to ensure that they maintain the correct color code for all mail, based on its arrival on the premises, even when such mail is entered into mechanized sack sorting systems.

458.322 Outgoing BMM

All outgoing mail, ADC, and SCF/incoming primary mail and carrier route mail will be color coded to indicate scheduled clearance 1 day after receipt at the facility. After processing is completed, the clearance day tags used in outgoing, ADC, SCF/incoming primary, and carrier route operations are to be removed prior to dispatch to downstream operations/facilities. The SCF/incoming primary BBM must be totally finalized and processed by the identified clearance day.

458.323 Secondary Distribution of BBM

- a. Facilities that process three-digit (SCF) BBM only to the five-digit level will color code that three-digit BBM for clearance 1 day after receipt at that facility, as listed in Exhibit 458.323a. This mail will then be dispatched without color codes, and the proper delivery color code will be applied upon receipt at the facility that performs the secondary distribution.
- b. All BBM that will subsequently receive incoming secondary distribution at the facility performing the ADC or SCF operation will receive a 2-day color code based upon its arrival or upon its extraction and identification from its initial distribution operation (either the ADC or SCF operation) (see Exhibit 458.323b).

Exhibit 458.323a
One-Day Clearance Matrix

Receipt Day	Color Code	Clearance Day
Saturday	white	Sunday
Sunday	blue	Monday
Monday	orange	Tuesday
Tuesday	green	Wednesday
Wednesday	violet	Thursday
Thursday	yellow	Friday
Friday	pink	Saturday

Exhibit 458.323b
Two-Day Delivery Matrix

Arrival/Extraction Day	Color Code	Delivery Day
Saturday	orange	Tuesday
Sunday	orange	Tuesday
Monday	green	Wednesday
Tuesday	violet	Thursday
Wednesday	yellow	Friday
Thursday	pink	Saturday
Friday	blue	Monday

458.324 Commingled, Incorrectly Coded, and Non-Color-Coded BMM

When BBM is discovered in a facility after its initial receipt, without color codes or incorrectly identified with multiple color codes, and it cannot be reasonably determined what the color code should be, follow these procedures:

- a. In situations wherein ADC and SCF mails are, for operational reasons, commingled in the same processing operation, all such mail extracted for the local SCF will be color coded for a scheduled delivery day, also using the 2-day delivery matrix.

458.33

Postal Operations Manual

- b. If mail is identified with multiple color codes, then the oldest color code is assumed to be correct, even if the clearance/delivery date has passed.
- c. If mail is observed without any color code at all, then it is to be color coded with the same clearance/delivery color code as the oldest mail in the unit at the time of its discovery.
- d. If mail is observed without any color code at all, and there is no other mail in the unit at the time of its discovery, then it is to be color coded with today's clearance/delivery color code and treated as if it were delayed.

458.33 Delivery Distribution Centers/Units (DDCs/DDUs)**458.331 Application of Color Codes**

The application of color codes to BBM mail is based upon the arrival of the mail being used with the facility critical entry time. Arrival at the facility is defined as the day and time the mail arrives on Postal Service property. All facilities must develop local procedures to ensure that they maintain the correct color code for all mail, based on its arrival on the premises. Whenever a delivery day color code is applied, it must remain on the mail until it is taken out by the carrier at the delivery unit.

458.332 Outgoing BMM

- a. All outgoing mail received from a mailer and destinating carrier route mail must be color coded to indicate scheduled clearance 1 day after receipt at the facility (see Exhibit 458.332a). After processing is completed, the clearance day tags are removed prior to dispatch.
- b. All other destinating BBM received at delivery distribution centers/units, including drop shipment mailings, must be color coded for 2-day delivery according to Exhibit 458.332b.

Exhibit 458.332a

One-Day Clearance Matrix

Receipt Day	Color Code	Clearance Day
Saturday	white	Sunday
Sunday	blue	Monday
Monday	orange	Tuesday
Tuesday	green	Wednesday
Wednesday	violet	Thursday
Thursday	yellow	Friday
Friday	pink	Saturday

Exhibit 458.332b
Two-Day Delivery Matrix

Receipt Day	Color Code	Delivery Day
Saturday	orange	Tuesday
Sunday	orange	Tuesday
Monday	green	Wednesday
Tuesday	violet	Thursday
Wednesday	yellow	Friday
Thursday	pink	Saturday
Friday	blue	Monday

458.333 **Secondary Distribution of BMM**

DDCs and DDUs that perform secondary distribution for delivery units must also apply a 2-day delivery color code to that mail upon its arrival from upstream facilities.

458.334 **Incorrectly Coded and Non-Color-Coded BMM**

When BMM is discovered in a facility, after its initial receipt, without color codes or incorrectly identified with multiple color codes, and it cannot be reasonably determined what the color code should be, follow these procedures:

- a. If mail is identified with multiple color codes, then the oldest color code is assumed to be correct, even if the clearance/delivery date has passed.
- b. If mail is observed without any color code at all, then it is to be color coded with the same clearance/delivery color code as the oldest mail in the unit at the time of its discovery.
- c. If mail is observed without any color code at all, and there is no other mail in the unit at the time of its discovery, then it is to be color coded with today's clearance/delivery color code and treated as if it were delayed.

458.34 **Delivery Units, Including Post Offices, Stations, and Branches**

458.341 **Application of Color Codes**

The application of color codes to BMM is based upon the arrival of the mail being used with the facility critical entry time. Arrival at the facility is defined as the day and time the mail arrives on Postal Service property. All facilities must develop local procedures to ensure that they maintain the correct color code for all mail, based on its arrival on the premises. Whenever a delivery day color code is applied, it must remain on the mail until it is taken out by the carrier at the delivery unit.

458.342 Outgoing BMM

- a. All outgoing mail received from a mailer must be color coded to indicate scheduled clearance 1 day after receipt at the facility (see Exhibit 458.342). After processing is completed, the clearance day tags used in outgoing operations are to be removed prior to dispatch. Delivery units not performing secondary distribution will receive BBM from the distribution facility with a color code attached. This color code must remain on the mail until taken out for delivery.
- b. If a holiday falls on a scheduled delivery day, the delivery color code must remain unchanged, and must be used to properly sequence the mail on the next delivery day. On the day following the holiday, the mail color coded for the holiday is not considered delayed but is worked prior to the mail with the current day's color.
- c. Delivery units may receive BBM with a mailer-requested delivery date later than the scheduled color-coded day. This mail is to be color coded or re-color coded at the delivery unit to match the last requested in-home delivery date, to comply with the mailer's request.
- d. Delivery units may receive BBM with a mailer-requested delivery date earlier than the color-coded delivery day. Although this mail will remain color coded for delivery as outlined in these procedures, all reasonable efforts should be made to deliver this mail within the mailer's requested delivery window.
- e. Delivery units may receive BBM with a mailer-requested delivery date that has already passed. Although this mail will remain color coded as outlined in these procedures, the decision regarding the delivery or disposition of this mail will be consistent with the current national policy on this subject.

**Exhibit 458.342
One-Day Clearance Matrix**

Receipt Day	Color Code	Clearance Day
Saturday	white	Sunday
Sunday	blue	Monday
Monday	orange	Tuesday
Tuesday	green	Wednesday
Wednesday	violet	Thursday
Thursday	yellow	Friday
Friday	pink	Saturday

458.343 Secondary Distribution

Delivery units receiving BBM requiring secondary distribution (including drop shipment mailings and mail received directly from mailers) must apply 2-day delivery color codes upon receipt of the mail as outlined in Exhibit 458.343. This color code must remain on the mail until taken out for delivery.

Exhibit 458.343

Two-Day Delivery Matrix

Receipt Day	Color Code	Delivery Day
Saturday	orange	Tuesday
Sunday	orange	Tuesday
Monday	green	Wednesday
Tuesday	violet	Thursday
Wednesday	yellow	Friday
Thursday	pink	Saturday
Friday	blue	Monday

458.344 Procedures for Mailer-Prepared Carrier Route Mail Received In Delivery Units

- a. When mailer-prepared carrier route mail is received in delivery units from upstream postal facilities (BMCs, P&DCs, DDU, etc.), such mail has an advanced service commitment and must be color coded with a 1-day delivery color code, according to Exhibit 458.344.
- b. When mailer-prepared carrier route mail is received in delivery units directly from mailers and has never been handled in a prior postal facility, use the 2-day color code matrix.

Exhibit 458.344

One-Day Delivery Matrix

Receipt Day	Color Code	Delivery Day
Saturday	blue	Monday
Sunday	orange	Tuesday
Monday	orange	Tuesday
Tuesday	green	Wednesday
Wednesday	violet	Thursday
Thursday	yellow	Friday
Friday	pink	Saturday

458.345 Incorrectly Coded and Non-Color-Coded BMM

When BBM is discovered in a facility after its initial receipt, without color codes or incorrectly identified with multiple color codes, and it cannot be reasonably determined what the color code should be, follow these procedures:

- a. If the mail is identified with multiple color codes, then the oldest color code is assumed to be correct, even if the clearance/delivery date has passed.
- b. If mail is observed without any color code at all, then it is to be color coded with the same clearance/delivery color code as the oldest mail in the unit at the time of its discovery.
- c. If mail is observed without any color code at all, and there is no other mail in the unit at the time of its discovery, then it is to be color coded with today's clearance/delivery color code and treated as if it were delayed.

46 Dispatch and Routing Concepts

Distribution Networks is required to provide a minimum of two dispatches for each destination made:

- a. An advance dispatch is used to send a volume of mail to the destination office as an accommodation to allow advance distribution and prevent an excessive volume of mail from being received at the critical entry time.
- b. A dispatch of value, or a "last chance" routing, reflects the latest time at which mail can be dispatched from the originating facility and arrive at the destinating facility prior to the appropriate critical entry time.
- c. Additional dispatches will be provided when justified by volume or other operational considerations. NASS produces a variety of reference and operation reports. NASS products used by a facility depend on type, size, and function. The supervisor, Networks at DN, with the manager of In-Plant Support Operations Support at the mail processing facility, will determine the type of NASS reports to be used. The manager of Distribution Networks at the area, together with the plant manager of the P&DC, is responsible for resolving all disagreements between transportation, distribution networks, and mail processing facilities.
- d. Further information is available in USPS, Handbook M-22, *Dispatch and Routing Policies*.

RESPONSE OF POSTAL SERVICE WITNESS MAYES TO VP-CW INTERROGATORIES

VP-CW/USPS-T32-5.

- a. Please identify all applicable service and/or delivery standards, commitments, goals, regulations or other guidelines by whatever name for Standard A ECR and/or Regular Mail. If there are different types of standards, please distinguish between them.
- b. Please identify whether the Postal Service provides different services or has different delivery standards for Standard A ECR and/or Regular Mail entered at (i) DBMCs, (ii) DSCFs and (iii) DDUUs.
- c. Please confirm that, according to the Postal Service's statement in this docket in compliance with Rule 54(n), no class or subclass of mail has a lower service standard than Standard A. If you do not confirm, please explain your answer fully.
- d. Please refer to Exhibit USPS-32B. Please confirm that, for Test Year After Rates, only the Express Mail subclass and Stamped Cards special service would receive a cost coverage that is as high or higher than that applied to Standard A ECR.
- e. In your opinion, do any issues of fairness and equity arise when a subclass such as Standard A ECR with the lowest service standard pays the second-highest cost coverage of any subclass?
- f. Please explain what information the Postal Service's statement in compliance with Rule 54(n) provides about the service actually provided to Standard A mail.

Response:

- a. Please refer to the chart in the Postal Service's Request, Attachment G relating to Rule 54(n). In addition, please refer to the sections of the Postal Operations Manual attached to my response to your interrogatory VP-CW/USPS-T32-4.
- b. Please refer to the sections of the Postal Operations Manual attached to my response to your interrogatory VP-CW/USPS-T32-4. It is my understanding that there may be a difference between the processing times for ECR and Standard Mail (A) Regular based on where the mail is entered into the postal system. The main difference appears to be that

RESPONSE OF POSTAL SERVICE WITNESS MAYES TO VP-CW INTERROGATORIES

Response to VP-CW/USPS-T32-5, cont'd

Regular mail may require an extra processing day, relative to ECR, if it is entered at the DBMC. This extra day is used to sort to the carrier route.

- c. That appears to be the case.
- d. Confirmed. The other two subcategories showing higher cost coverages are parts of the First-Class Letters and First-Class Cards subclasses.
- e. One of the pricing criteria, criterion 2, deals with the value of service received by the subclass. There are nine pricing criteria, not all of which would point to a lower cost coverage.
- f. None.

RESPONSE OF POSTAL SERVICE WITNESS MAYES TO VP-CW INTERROGATORIES

VP-CW/USPS-T32-6.

At page 38 (11. 12-13) of your testimony, you refer to the Postal Service accommodating mailer requests for delivery within a specific time frame.

- a. With respect to the Postal Service's efforts to accommodate such requests, can ECR mailers request day-certain delivery? If so, under what conditions?
- b. If a request for day-certain delivery is not an option, what is the minimum time frame that ECR mailers can request? (E.g., two days? three days?)
- c. With respect to ECR mail for which delivery has been requested within a specific time frame, does the Postal Service keep any kind of records, or have any data that would show the percentage of ECR mail that is in fact delivered within the time frame requested by mailers? If so, please provide such data for Base Year 1998.
- d. How many P&DCs are able to retain large volumes of Standard A Mail where delivery is requested within a specific time frame?

Response:

- a. I am informed that a mailer may request day-certain delivery for ECR mail, but there is no assurance that delivery will be effected on the requested day. A more appropriate, and more common, request is for a range of dates over which delivery may be effected. Mailers requesting that delivery be made within a range of days work with local postal representatives to determine the required entry date to accommodate the requested delivery dates.
- b. Not applicable.
- c. Please refer to my response to AAPS/USPS-T32-9.
- d. Please refer to the sections of the Postal Operations Manual attached to my response to your interrogatory VP-CW/USPS-T32-4 for processing

RESPONSE OF POSTAL SERVICE WITNESS MAYES TO VP-CW INTERROGATORIES

Response to VP-CW/USPS-T32-6, cont'd

guidelines. It is my understanding that the P&DCs are directed to process mail in compliance with the Postal Operations Manual. It is possible that, under some local circumstances, mail may be held through agreement with the DDU in order to smooth workloads.

RESPONSE OF POSTAL SERVICE WITNESS MAYES TO VP-CW INTERROGATORIES

VP-CW/USPS-T32-7.

- a. Your testimony at pages 2-3 lists the nine criteria of 39 U.S.C. section 3622(b). In your opinion, under which of the nine criteria should the actual performance in delivery be reflected? If you do not consider actual service performance to be relevant to the establishment of pricing levels, please explain why.
- b. (i) Please indicate those subclasses for which have you endeavored to take account of actual performance in delivery provided by the Postal Service, and (ii) please indicate how such performance in delivery affected your recommendation to increase or reduce the cost coverage.

Response:

- a. Service actually provided is considered under criterion 2, value of service.
- b. (i) I receive and review the quarterly Origin-Destination Information System (ODIS) reports which provide days to delivery measures for the following categories: First-Class Letters, First-Class Postcards, First-Class IPPS, First-Class Flats, Priority Mail, "All Standard A", Parcel Post and Other Standard B. In addition, I receive and review the service performance reports for Express Mail.

(ii) Because the Postal Service does not have nationally representative performance data for most subclasses of mail, my consideration of the actual service performance relied mainly upon the relative service standards for the subclasses. In the absence of additional information, I assumed that the relative levels of service actually provided corresponded to their relative service standards, while acknowledging that within each subclass, some portion of the volume would not be delivered within its service standard.

RESPONSE OF POSTAL SERVICE WITNESS MAYES TO VP-CW INTERROGATORIES

VP-CW/USPS-T32-8.

Is it your testimony that application of criterion 6 requires imposition of a higher cost coverage wherever a greater degree of preparation by the mailer is found? Please explain your answer fully.

Response:

No. My testimony refers to changes in the degree of worksharing over time, not to differences in the level of worksharing, and notes that, should maintenance of a subclass's contribution to institutional costs be of concern, an increase in coverage is required as a consequence of increased worksharing.

RESPONSE OF POSTAL SERVICE WITNESS MAYES TO VP-CW INTERROGATORIES

VP-CW/USPS-T32-9.

In your testimony at page 10 (11. 6-8), you state that "as the degree of preparation increases over time, all else equal, the coverage required to obtain the same contribution also increases."

- a. Did you establish a target contribution (either an aggregate contribution or a per-piece contribution) for the Standard A ECR mail subclass? If so, how was it calculated?
- b. Please define "same contribution."
- c. Did the reduction in Standard A ECR's cost coverage – in the rates implemented following Docket No. R97-1 – result in a reduction in Standard A ECR's contribution to the Postal Service's institutional costs?

Response:

- a. No.
- b. By "same contribution" I meant the same difference between revenue and volume-variable cost.
- c. As there is no Cost and Revenue Report (CRA) available for the time frame following the implementation of the R97-1 rates, I cannot answer this question based on actual experience. However, witness Meehan (USPS-T11) provides base year contribution figures and witness Kashani (USPS-T-14) provides forecasts of revenue, cost and contribution for fiscal years 1999, 2000 and 2001 both before and after rates. A comparison of the base year 1998 contribution (provided in Exhibit 11C of witness Meehan's testimony) during which the R97-1 rates were not in effect to the FY 1999 contribution (provided in Exhibit 14D of witness Kashani's testimony) during which the R97-1 rates were in effect for part of a year shows a decline in the contribution for ECR. Examination of

RESPONSE OF POSTAL SERVICE WITNESS MAYES TO VP-CW INTERROGATORIES

Response to VP-CW/USPS-T32-9, cont'd

Exhibits 14D, 14G and 14J shows the contribution from ECR to be dropping each year from 1999 through TYBR. However, some of this effect appears to be the result of cost inflation and some of this decline is the result of lower volume (from 1999 to 2000).

RESPONSE OF POSTAL SERVICE WITNESS MAYES TO VP-CW INTERROGATORIES

VP-CW/USPS-T32-10.

Please refer to page 39 (11. 15-17) of your testimony where you state that application of several of the statutory criteria to Standard A ECR "would indicate a cost coverage even lower than that actually proposed," however, "this would mean shifting the additional burden of covering institutional costs to other subclasses."

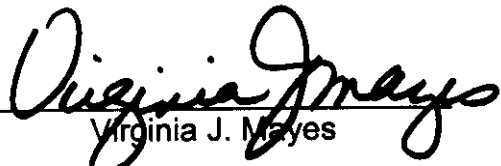
- a. Do any of the statutory criteria indicate a cost coverage higher than that actually proposed?
- b. Please confirm that the system-wide proposed rate increases average 6.4 percent. If you do not confirm, please provide the correct figure.
- c. Does the fact that certain other subclasses have a lower than system-wide average proposed rate increase (i.e., less than 6.4 percent) have any relevance to your decision not to shift the "additional burden of covering institutional costs" to these subclasses?

Response:

- a. No.
- b. Confirmed.
- c. The cost coverages for each and every subclass were considered individually in the context of the pricing criteria as well as in combination with all others as necessary to achieve financial breakeven.

DECLARATION

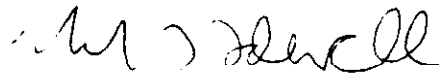
I, Virginia J. Mayes, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.


Virginia J. Mayes

Dated: 3-22-00

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.



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March 22, 2000