

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
TO INTERROGATORY OF
THE PARCEL SHIPPERS ASSOCIATION
(PSA/USPS-4)

The United States Postal Service hereby provides its response to the following
interrogatory of the Parcel Shippers Association: PSA/USPS-4, filed on March 8, 2000.

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



Scott L. Reiter

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March 22, 2000

**RESPONSE OF US POSTAL SERVICE TO INTERROGATORIES OF
PARCEL SHIPPERS ASSOCIATION**

PSA/USPS-4 In response to PSA/USPS-3, the Postal Service responded that, even though the estimated changes and accrued costs for FY 2000 and FY 2001 are greater than the estimated changes in the CPI-W (by a cumulative amount of 2.7%, that is, 7.4% for FY 2000 and FY 2001 versus 4.7% for the CPI estimates for FY 2000 and 2001), the increases over the previous two rate cycles were 5 % below inflation.

- (a) Please explain why below-inflation rate increase over the previous two rate cycles are a justification for higher than inflation rate increases over a future rate cycle?
- (b) Is it not more the case that your below-inflation rate increases over the previous two rate cycles, which coincided with unprecedented postal surpluses, require that the Postal Service explain why it is departing from a pattern of below-inflation rate increases?

RESPONSE:

- (a) Please see the response to Postcom/USPS-4a and b.
- (b) The Postal Service has explained the basis for the rate increases proposed in this filing. The revenue requirement is explained in USPS-T-9, the distribution of costs is explained in USPS-T-11 and USPS-T-14, and the design of rates is explained in USPS-T-32 and the testimonies of the rate design witnesses for the various classes of mail.

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 "Scott L. Reiter", written over a horizontal line.

Scott L. Reiter

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