

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

**NEWSPAPER ASSOCIATION OF AMERICA
INTERROGATORIES TO
THE UNITED STATES POSTAL SERVICE
(NAA/USPS-1-10)
March 23, 2000**

The Newspaper Association of America hereby submits the attached interrogatories to the United States Postal Service (NAA/USPS-1-10) and respectfully requests a timely and full response under oath.

Respectfully submitted,

NEWSPAPER ASSOCIATION OF AMERICA

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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 23, 2000

William B. Baker
William B. Baker

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NAA/USPS-1. Please refer to the United States Postal Service 1998 Marketing Plans, filed in Docket No. R97-1 as library reference NAA LR-NAA/R97-1 LR 2.

- a. Does Postal Service management currently use this document?
- b. At AD Page 11 of this document, the following passage appears: "Newspapers are the major, direct competitors for advertising mail dollars." Does the Postal Service believe this to be true today?
- c. At AD Page 11 of this document, the following passage appears: "Pre-printed inserts have been and will continue to be the single newspaper application which is most vulnerable to diversion to Ad Mail." Does the Postal Service believe this to be true today?
- d. Has the Postal Service produced a more recent marketing plan, comparable to this one, since October 1997?

NAA/USPS-2. On June 10, 1998, the Postal Service released a press release (News Release Number 57) in which Postmaster General William J. Henderson announced that the Postal Service would "discontinue its operational test of an advertising mail concept called Auto Day."

- a. Please confirm that the Postal Service incurred costs in connection with the Auto Day program during FY98. If you cannot confirm, please explain why not.
- b. In what account are those costs located?
- c. Were those costs treated as attributable in the Base Year? If so, please explain how those costs were attributed.
- d. Has the Postal Service made an adjustment to remove those costs in the Test Year cost projection? If so, please describe the adjustment.

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NAA/USPS-3. Please refer to the Response of the United States Postal Service to UPS/USPS-T23-2 (redirected from witness Kay). At page 2 of the response, the following passage appears:

In particular, when addressing cost associated with those types of multiproduct advertising, consideration was given to the extent, if any, to which the existence of a specific product or product group "caused" (i.e., was the reason why the Postal Service engaged in) that type of advertising.

Has the Postal Service attributed any Base Year 1998 advertising costs that were incurred in a multiproduct advertising effort? If so, please identify:

- a. The products involved
- b. On what basis (e.g., percentage, etc.) the costs were attributed

NAA/USPS-4. Please provide an electronic version of Library Reference USPS LR-I-205.

NAA/USPS-5. Please refer to the Data Quality Study Summary Report (dated April 16, 1999) prepared by Link, a division of A.T. Kearney Inc. At page 34, the Summary Report states: "To the extent that weight is a cost driver, the current costing systems do not allow for the estimation of the effect of weight independent of other cost causing characteristics." Does the Postal Service agree with this conclusion?

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NAA/USPS-6. Please refer to the Data Quality Study Summary Report (dated April 16, 1999) prepared by Link, a division of A.T. Kearney Inc. At page 50, the Summary Report recommends that the Postal Service: "Re-examine these assumed institutional costs periodically to assess whether these are truly fixed institutional costs or whether any of these costs can be allocated to specific activities that can be attributed and distributed to specific sub-classes of mail." The Summary Report goes on to say: "This periodic re-examination should happen when any one of the following conditions occurs:

- The nature of the business changes (e.g., due to electronic substitution or other outside influences).
 - Costing theory and practice change (e.g. the field of study develops new concepts and procedures)
 - The product or service mix changes (e.g. the significant increase in advertising mail as a proportion of total mail volume).
 - Technology improvements create new processes or operational activities and/or provide better sources of data to analyze institutional costs."
- a. Does the Postal Service agree with this recommendation of the Summary Report?
 - b. Does the Postal Service believe that any of the four listed conditions has occurred or will occur by the end of the Test Year in this proceeding?
 - c. If so, how has the Postal Service re-examined institutional costs in this proceeding in a manner consistent with this recommendation?

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NAA/USPS-7. Please refer to the Data Quality Study Summary Report (dated April 16, 1999) prepared by Link, a division of A.T. Kearney Inc. At page 56, the Summary Report presents a calculation of the coefficient of variation of overall unit volume variable costs for three subclasses as follows:

- Periodicals – within county at 10.09%
 - Standard A – enhanced carrier route at 8.00%
 - Standard B – library at 13.48%
- a. For what period of time do these calculations apply?
 - b. Does the Postal Service believe that these coefficients of variation of overall unit volume variable costs are correctly calculated?
 - c. The Summary Report notes that the coefficient of variation for Standard (A) Enhanced Carrier Route mail received 83 percent of its sampling error from the delivery special studies. Has the Engineered Standards/Redesign Project described in the testimony of witness Raymond replaced one of the delivery special studies (the STS study) to which the Summary Report refers?
 - d. If the answer to (c) is affirmative, please describe the effect of the Engineered Standards/Redesign Project on the coefficient of variation for ECR mail in this proceeding and provide that coefficient.

NAA/USPS-8. Please refer to the Data Quality Study Summary Report (dated April 16, 1999) prepared by Link, a division of A.T. Kearney Inc. Recommendation 36, at page 83, states: "The data currently available from [the Delivery Redesign] initiative should be reviewed to assess its usefulness to the rate making process. The use of this data will link the letter carrier costs to the direct cause of those costs (e.g. hiring and retaining a letter carrier." Please confirm that the Postal Service in fact "assessed

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the usefulness" of the Delivery Redesign initiative to the rate making process and concluded, as shown by the testimony of witness Raymond, that the initiative is in fact useful for ratemaking.

NAA/USPS-9. Please refer to the Data Quality Study Summary Report (dated April 16, 1999) prepared by Link, a division of A.T. Kearney Inc. At page 93, the Summary Report states, in connection with estimating costs relating to weight:

"c) The thinness of the data is a concern. Weight information can only be obtained from mail that is identified individually, which is now less than half of all IOCS tallies. As information is needed on many weight categories each category may have extremely small samples resulting in large sample variations. The difficulties with small sample sizes are most noted at the low and high end of the weight spectrum for a particular sub-class."

- a. Does the Postal Service agree with this conclusion of the Summary Report?
- b. What proportion of IOCS tallies from the Base Year was obtained from mail that is identified individually?

NAA/USPS-10. Please refer to the Data Quality Study Summary Report (dated April 16, 1999) prepared by Link, a division of A.T. Kearney Inc. At page 93, the Summary Report states, in connection with estimating costs relating to weight:

"g) To counter this missing information [data on volume of mail by weight increment for much of First Class, Periodical, Standard A and Standard B mail] the Postal Service has attempted to impute the volume by weight category. The Postal Service's studies show that the estimates of costs per weight category can vary significantly depending upon the methodology used to impute

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volume by weight category. Based upon this weakness, the existing costing and volume reporting systems do not provide reliable and complete estimates of mail volumes by weight. Thus, sufficiently complete and accurate data on which to base some rate designs at the rate element level are not available."

The Summary Report goes on to recommend (at page 94) that the Postal Service "Develop engineering studies that track weight in conjunction with other mail *cost-causing characteristics through the entire production process.*"

- a. Has the Postal Service developed the recommended engineering studies?
- b. Why or why not?