

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 OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T32-13 THROUGH 14)

The United States Postal Service hereby provides the responses of
witness Mayes to the following interrogatories of Office of the Consumer
Advocate: OCA/USPS-T32-13 through 14 (filed on March 10, 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.
Chief Counsel, Ratemaking



Michael T. Tidwell

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March 24, 2000

RESPONSE OF POSTAL SERVICE WITNESS MAYES TO UPS INTERROGATORIES

OCA/USPS-T32-13.

- (a) Please confirm that the "integer constraint," which requires that the rate for single-piece First-Class letter mail be set in whole cents, limits the flexibility of the Postal Service to consider a different cost coverage for the Letters and Sealed Parcels subclass. If you do not confirm, please explain.
- (b) Please confirm that the "integer constraint" largely determines the cost coverage for First-Class Mail. If you do not confirm, please explain.
- (c) Please confirm that in the absence of the "integer constraint" the Postal Service could select a rate for single-piece First-Class letter mail that is not set in whole cents. If you do not confirm, please explain.

Response:

- (a) Not confirmed. There are other rate elements in that subclass, any one of which may be manipulated in order to achieve cost coverage targets. The perceived "limited flexibility" may be just as much a result of the relatively few rate elements, most of which individually command a relatively large amount of revenue, as of the "integer constraint."
- (b) Not confirmed. Please see my response to subpart (a) above.
- (c) Confirmed, by definition.

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OCA/USPS-T32-14. Please refer to your testimony at pages 20 and 35, lines 10-11, and 13-15, respectively, concerning the cost coverage of First-Class Mail and Standard (A) Regular. Also, please refer to the table and chart below entitled "Comparison of First-Class Letters and Standard (A) Regular Mark-up Indices, 1988-2001." (Note: The electronic version of the table and chart can be found in the Excel file "fc&3c_cc.xls.")

- (a) Please confirm the "USPS Attributable Costs" for "First," "Std (A)," and "Total" for each year. If you do not confirm, please explain and provide the correct amount(s).
- (b) Please confirm the "USPS Revenues" for "First," "Std (A)," and "Total" for each year. If you do not confirm, please explain and provide the correct amount(s).
- (c) Please confirm the "Mark-Up Index" for "First," "Std (A)," and "Total" for each year. If you do not confirm, please explain and provide the correct figure(s).

Response:

- (a) Confirmed for the years through FY 2000, with the clarification that the figures shown for FY 1998 through 2001 are volume-variable and not attributable costs. The figures shown in your table for FY 2001 exclude contingency. The correct figures for FY 2001 TYBR are shown below:

	2001		
	First	Std (A)	Total
USPS Attributable Costs [1]	18,566	9,653	41,755
USPS Revenues [2]	35,143	13,690	66,328
Institutional Cost Contribution [3]	16,577	4,037	24,574
Attributable Cost Share [4]	44.46%	23.12%	100.00%
Institutional Cost Share [5]	67.46%	16.43%	100.00%
Mark-Up Index [6]	1.52	0.71	1.00

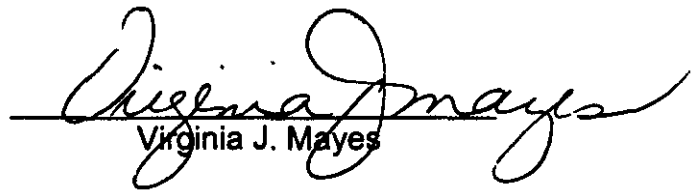
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Response to OCA/USPS-T32-14, cont'd

- (b) Confirmed.**
- (c) I confirm that the "Mark-Up Index" is the ratio of revenue to volume-variable cost for each of the subcategories divided by the ratio of revenue to volume-variable cost for the "Total" column.**

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: 3-24-00

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.

A handwritten signature in black ink, appearing to read "M. Tidwell", written in a cursive style.

Michael T. Tidwell

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