

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 PARCEL SHIPPERS ASSOCIATION
(PSA/USPS-T32-9 THROUGH 10)

The United States Postal Service hereby provides the responses of witness Mayes to the following interrogatories of Parcel Shippers Association: PSA/USPS-T32-9 through 10 (filed on March 15, 2000).

When filed, these interrogatories were mis-numbered as "T32-3" and "T32-4." The Postal Service has re-numbered them as "T32-9" and "T32-10" to correct this error.

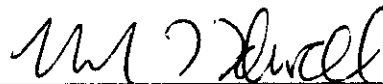
In accordance with this re-numbering, "T32-9(a)" has been re-directed to witness Thress for response. Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



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March 29, 2000

RESPONSE OF POSTAL SERVICE WITNESS MAYES TO PSA INTERROGATORIES

PSA/USPS-T32-9.

(a) In response to PSA/USPS-T32-1 (d)(iii), you state that if the newer data had been used to develop the R97-1 forecasting, the own-price elasticity estimate for Parcel Post may not have been the same.

(a) Please explain why it may not have been the same.

(b) You also state that, if the newer data is used, you do not know what the costs would have been, before and after rates, using the cost roll forward model that was used in R97-1. Please explain why the costs would not be exactly the same as used in the roll forward models in R97-1, both by USPS and the PRC, since there has been no restatement of the base year "cost" for Parcel Post.

Response:

(a) Redirected to witness Thress.

(b) The costs would have been different for several reasons, including that the distribution keys for some cost segments and components would have been different had the additional Parcel Post volume been included in the distribution. In moving from the base year to the test year, adjustment was made in Docket No. R97-1 for the increasing share of destination entry Parcel Post. As most of the additional volume was destination entry Parcel Post, there would have been a larger adjustment made to Parcel Post costs. The most obvious reason that costs for Parcel Post would have been different is that the volumes for which the costs were forecasted would have been different.

RESPONSE OF POSTAL SERVICE WITNESS MAYES TO PSA INTERROGATORIES

PSA/USPS-T32-10.

Please refer to Appendix G, Schedule 1 of the Docket No. R97-1 Opinion and Recommended Decision and the FY 1998 PRC Revised RPW Data Version Cost and Revenue Analysis report.

(a) Please confirm that the Postal Rate Commission recommended a 108 percent TYAR cost coverage for Standard (B) Parcel Post in Docket No. R97-1. If not confirmed, please explain.

(b) Please confirm that the Postal Rate Commission recommended a 12.3 percent rate increase for Standard (B) Parcel Post in Docket No. R97-1. If not confirmed, please explain.

(c) Please confirm that (using PRC costing methods) the actual FY 1998 cost coverage for Standard (B) parcel post was 112.4 percent. If not confirmed, please explain.

(d) Please confirm that the 112.4 percent cost coverage for Standard (B) parcel post in FY 1998 was based on pre-R97-1 rates. If not confirmed, please explain.

(e) Please confirm that increasing FY 1998 Standard (B) parcel post average revenue per piece (while holding unit cost and volume constant) by 12.3 percent would have increased the cost coverage on Standard (B) parcel post from 112.4 percent to 126.2 percent. If not confirmed, please explain.

(f) Please confirm that FY 1998 revenue for Standard (B) parcel post was \$947.9 million. If not confirmed, please explain.

(g) What was the cost coverage for Standard (B) parcel post in FY 1999?

Response:

(a) Confirmed.

(b) Confirmed.

(c) Confirmed.

(d) Confirmed.

(e) Confirmed.

(f) Confirmed.

(g) The FY 1999 CRA has not yet been produced. As part of the periodical reporting requirements for the International CRA, the Postal Service provided to the Commission on March 15, 2000 a preliminary PRC version

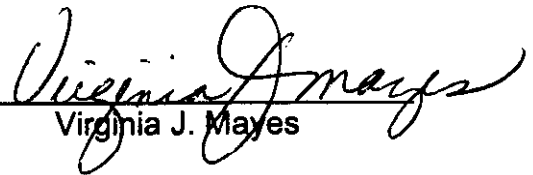
RESPONSE OF POSTAL SERVICE WITNESS MAYES TO PSA INTERROGATORIES

Response to PSA/USPS-T32-10, cont'd

of a 1999 CRA. Using the PRC's costing methodology, the cost coverage reported for Parcel Post in that document is 108.9 percent.

DECLARATION

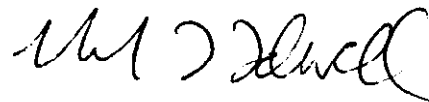
I, Virginia J. Mayes, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.


Virginia J. Mayes

Dated: 3-29-00

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 "Michael T. Tidwell". The signature is fluid and cursive, with the first name "Michael" and last name "Tidwell" clearly distinguishable.

Michael T. Tidwell

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