

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 U.S. POSTAL SERVICE WITNESS DANIEL TO
INTERROGATORIES OF AMERICAN BANKERS ASSOCIATION AND
NATIONAL ASSOCIATION OF PRESORT MAILERS
(ABA&NAPM/USPS-T28—38, 41-42)**

The United States Postal Service hereby provides the responses of witness Daniel to the following interrogatories of the American Bankers Association and the National Association of Presort Mailers: ABA&NAPM/USPS-T28—38, 41-42, filed on March 29, 2000. Interrogatories ABA&NAPM/USPS-T28—39 and 40 are redirected and will be filed later.

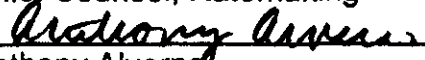
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking


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April 10, 2000

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ABA&NAPM/USPS-T28-38. Please refer to your response to ABA&NAPM/USPS-T28-2. Please confirm that using your corrected figure of .223 for the second ounce of FCM single piece, the "marginal cost difference" increases between the first and second ounce. Do you agree that for the first through the third ounce, First Class workshared letter mail in a standard business sized envelope and Standard A advertising mail in an identical envelope are identical insofar as BCS or MLOCR processing is concerned?

RESPONSE:

Confirmed that the difference between \$0.425 and \$0.202 (\$0.223) is greater than the difference between \$0.202 and \$0.000 (\$0.202).

With respect to processing first through third ounce, First-Class and Standard workshared mail in standard sized envelopes, the processing is likely to be identical for the equipment handling only. However, other processing considerations, such as operating windows (different transportation, arrival profiles, and critical entry times), service commitments, deferability etc., can be different for First Class versus Standard Mail (A), and these can affect processing costs.

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ABA&NAPM/USPS-T28-39. Please refer to your response to ABA&NAPM/USPS-T28-7. Do you have greater confidence in sample data that do exhibit heteroskedasticity, and would you agree that your data plot in section 2, page 1 of 2 in LR-I-91, titled "Presort Letters Test Year Unit Costs by Detailed (1/2 ounce) Weight Increments" exhibits heteroskedasticity?

RESPONSE:

Redirected.

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ABA&NAPM/USPS-T28-40. Please refer to your response to ABA&NAPM/USPS-T28-9.a. Was the IOCS sample materially reduced before the base year in R94-1, after the start of mail processing automation in 1988?

RESPONSE:

Redirected.

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ABA&NAPM/USPS-T28-41. Please refer to your response to ABA&NAPM/USPS-T28-11. Please confirm that your "marginal cost difference" of \$0.43: (i) includes costs attributable to the first ounce beyond the \$0.20 cost you list for the first ounce, which is based on an average weight of only 0.4 ounces and (ii) substantially overestimates the costs associated with the second ounce per se, that is the costs associated with weight strictly above 1 ounce.

RESPONSE:

Not confirmed. The average total volume variable cost of First-Class Single-Piece mail weighing between 1 and 2 ounces is estimated to be \$0.43. The difference between the average cost of First-Class Single-Piece mail weighing between 1 and 2 ounces and the average cost of First-Class Single-Piece mail weighing less than one ounce is \$0.22. The \$0.22 figure appears on the line labeled "marginal cost difference" on Table 1 in USPS-T-28 page 11.

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ABA&NAPM/USPS-T28-42. Please refer to your response to ABA&NAPM/USPS-T28-12. Would you agree that the R - squared values you presented in response to ABA&NAPM/USPS-T28-4.b. are significantly lower for First Class (single piece and presort) than for Standard A (Regular and ECR)? In your Table 1, would you agree that your number \$0.69 in the 3 to 4 ounce range appears as an outlier, an outlier seen in even more dramatic form in your half ounce tables, a \$0.959 average total unit cost for a letter weighing 3.8 ounces?

RESPONSE:

The numbers speak for themselves.

DECLARATION

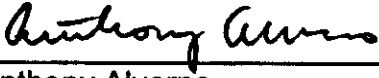
I, Sharon Daniel, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.


SHARON DANIEL

Dated: 4/10/00

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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