

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 THE ASSOCIATION OF AMERICAN
PUBLISHERS
(AAP/USPS-T32-11 AND 12)

The United States Postal Service hereby provides the responses of witness Mayes to the following interrogatories of Association of American Publishers: AAP/USPS-T32-11 and 12 (filed on March 23, 2000).

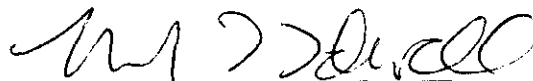
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



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April 12, 2000

RESPONSE OF POSTAL SERVICE WITNESS MAYES TO AAP INTERROGATORIES

AAP/USPS-T32-11 Please refer to your response to AAP/USPS-T32-2. In your response you state that "a proposed increase in the rates of 18 percent represents significant mitigation in the rate impact." With respect to your response:

- (a) Please confirm that the 18 percent increase referred to by your response is actually 18.1% and represents only an average increase for BPM.
- (b) Please confirm that for Basic Presort BPM the Postal Service is seeking a rate increase of up to 25.9%.
- (c) Please explain what is meant by the phrase "significant mitigation."
- (d) Please state whether an increase of 25.9%, instead of the 18% referred to by your response, also constitutes significant mitigation in the rate impact. If your response is yes, please explain.
- (e) Please provide any documents which address the effect that the proposed BPM rate increases might have on mailers and the future viability of the BPM subclass.
- (f) Please state whether a 25.9% increase constitutes rate shock.
- (g) Please identify the sources and reasons for an increase in BPM attributable costs of 45 percent and explain why the increase in attributable costs for BPM so far exceeded the rate of inflation for the time period cited in your response.
- (h) Please identify the portion of the increase in costs that "reflects some differences in costing methodology," and describe what those differences in costing methodology were.

Response:

- (a) Confirmed.
- (b) It is my understanding that there are some rates that will increase up to 25.9%.
- (c) It means that the rate increase was much smaller than would otherwise have been implied by the cost coverage target set by the Commission in Docket No. R97-1. Please refer to my response to AAP/USPS-T32-2 for further details regarding the cost increases since Docket No. R97-1 which underlie the Bound Printed Matter increase.

RESPONSE OF POSTAL SERVICE WITNESS MAYES TO AAP INTERROGATORIES

Response to AAP/USPS-T32-11, cont'd

- (d) Yes. Please refer to the response of witness Kiefer to AAP/USPS-T37-24(d). I think that the figure of 25.9% can only be viewed within the context of a full rate design, with consideration of both the target cost coverage and the average rate increase thus implied as well as the proposed changes to the rate structure. With the exception of Docket No. R94-1, most rate proposals for most subclasses have represented ranges of rate increases (or decreases) around the average for that subclass. In other words, not every rate cell received the same change in rates as did the subclass as a whole. In most cases, particularly when there is a change proposed to the rate design for a subclass and some de-averaging is required, the rate design witness and, subsequently, the Commission determine the range within which the rate changes will be constrained. Had the proposed average rate increase for Bound Printed Matter been more than 30 percent, as the costs might have implied had the rate level not been moderated, the maximum of the range of rate changes may very well have been much higher than currently proposed by witness Kiefer. Even given the moderated rate level, the unconstrained rates would have represented much higher rate increases than 25.9%. (See page 38 of USPS-T-37.) Under those circumstances, I think that 25.9% represents "significant mitigation."
- (e) Please refer to the testimony of witness Tolley (USPS-T-6) for the test year after rates volume forecast for Bound Printed Matter.

RESPONSE OF POSTAL SERVICE WITNESS MAYES TO AAP INTERROGATORIES

Response to AAP/USPS-T32-11, cont'd

- (f) Please refer to the response of witness Kiefer to AAP/USPS-T37-24(e).
Certainly 25.9% is a smaller rate increase than one of more than 30%, but
does represent a significant increase in rates.
- (g) Please refer to my response to MOAA/USPS-T32-12.
- (h) Please refer to my response to MOAA/USPS-T32-12a.

RESPONSE OF POSTAL SERVICE WITNESS MAYES TO AAP INTERROGATORIES

AAP/USPS-T32-12 Please refer to your response to AAP/USPS-T32-9. In your response you state that the most recent volume data that you are aware shows that in FY 1997 about 52% of Bound Printed Matter pieces constituted books. You state that for FY 1996, the comparable volume figure also was 52%. With respect to your response:

- (a) Please reconcile the 52% volume figures provided in your response, with the 44.3% FY 1997 volume figure and 36.8% FY 1996 volume figure provided by Postal Service witness Tolley in his response to AAP/USPS-T6-6.
- (b) Did you rely upon the 52% volume figure in determining the degree to which Criterion 8 should be applied to BPM?
- (c) Please explain how you derived the 52% volume figure and how it relates to the attachments provided with your response. Please explain the origin of the attachments and whether they were prepared for purposes of your response or are part of another document generated by the Postal Service. If the attachments are part of another document generated by the Postal Service, please provide copies of those documents.
- (e) Please provide any FY 1998 or FY 1999 volume data that pertains to the proportion of BPM volume that represents books.

Response:

- (a) It is my understanding that Witness Tolley derived his estimates of the share of books from the Household Diary Study. I relied upon the Revenue, Piece, and Weight (RPW) data for which postal data collectors segregated sampled Bound Printed Matter pieces into "books" and "non-books" categories. There are several possible reasons for the discrepancies in the figures from the two data sources. It is possible that the book share of Bound Printed Matter received by households differs from that received by non-households. It is also possible that there may be some categories of Bound Printed Matter that are included in the Household Diary Study as "Neither Catalogs Nor Books" as shown in

RESPONSE OF POSTAL SERVICE WITNESS MAYES TO AAP INTERROGATORIES

Response to AAP/USPS-T32-12, cont'd

witness Tolley's response to AAP/USPS-T6-6(d) that would have been classified as "books" by postal data collectors. In addition, as the study participants in the Household Diary Study were able to open the packages to ascertain the contents, whereas the postal data collectors could not open the packages, there may be some difference in the ability of each group to define the contents of the Bound Printed Matter pieces.

- (b) Yes, although more in a general sense than with regard to the specific number. My assessment of the appropriate application of criterion 8 took into consideration the Commission's application of the criterion in previous cases, and was somewhat superseded by the need to mitigate the rate increase in deference to criterion 4.
- (c) I added the volume figures from each mail category for which the label indicated "books" to obtain the estimated book volume. Any remaining pieces were then classified as "non-books." The attachments to my response to AAP/USPS-T32-9 were prepared for purposes of answering that question and represent extracts, including all of the lines pertaining to Bound Printed Matter, from the RPW Adjustment System, the underlying data used to develop RPW estimates of revenue, pieces and weight. Library Reference LR-H-43, filed as part of Docket No. R97-1, contains electronic spreadsheets with the full RPW Adjustment System for FY 1996.


RESPONSE OF POSTAL SERVICE WITNESS MAYES TO AAP INTERROGATORIES

Response to AAP/USPS-T32-12, cont'd

- (e) As I stated in my original response, I am aware of none. It is my understanding that RPW data was no longer measured or reported separately for Bound Printed Matter books and non-books after FY 1997. I believe that the Household Diary Study data cited by Dr. Tolley would be the only source of information for the years after FY 1997.

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.



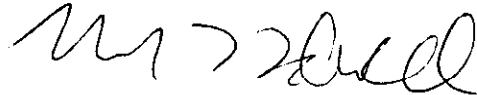
Virginia J. Mayes

Dated:

4-12-00

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", written in a cursive style.

Michael T. Tidwell

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