

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 THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-121)

The United States Postal Service hereby provides its responses to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-121, filed on April 5, 2000.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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April 19, 2000

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OCA/USPS-121. Please refer to USPS-LR-I-191.

- (a) What is the source of the volumes in Figure 1 on page 7? Please show the derivation of each volume in Figure 1.
- (b) Please update the volumes in Figure 1 on page 7 for 1998 and 1999.
- (c) What methodology was used to calculate the \$0.29 per piece contribution mentioned on page 4 and in footnote 4 on page 8? Please show the derivation of this figure.
- (d) What is the relationship between the \$0.29 contribution figure and the \$0.18 (\$16,768,614/95,550,984) derived from USPS-T-32, Workpaper I, page 2, Docket No. R97-1, or the \$0.18 (17,774,380/99,857,394) derived from Attachment USPS-33B? Please explain fully.
- (e) Please provide a copy of the "Christensen Associates' Segmentation Analysis" referred to in footnote 4 on page 8.
- (f) This document is denoted "Draft." Is there a final report or more recent draft? If so, please provide the most recent version.

RESPONSE:

This interrogatory requests information about a document prepared by an outside consultant and presented to the Postal Service. This response provides the information requested, but should not be considered as an endorsement of either the methodologies employed or the results reported.

- (a) To derive the volumes reported in Figure 1 on page 7 of USPS-LR-I-191, First-Class nonpresort letter volumes from ODIS are broken down into the following segments by shape, mail markings, and type of address: "CEM" (bills) – letters with FIM; "Aunt Minnie" – non-FIM and handwritten address letters and cards; "SOHO" – non-FIM and typed address letters and cards; "Other" includes FIM cards (BRM), flats, parcels, and IPPs. The percentage of ODIS nonpresort volume by shape in each "segment" is multiplied by the total nonpresort letter volume from FY97 RPW then summed across shape in each segment to obtain the volumes reported in the attachment.

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(b) See table below for the updated "segment" volumes for FY98. The segmentation analysis has not been done for FY99.

<u>Segment</u>	<u>FY98 Volume</u>
"Aunt Minnie"	13,178
CEM	8,672
Other	5,661
SOHO	29,214
Total	56,725

(c) The table below shows the methodology used to calculate the \$0.29 per piece contribution mentioned on page 4 and in footnote 4 on page 8 of USPS-LR-I-191.

	<u>Value</u>	<u>Source</u>
Revenue (billions)	2.73	DPS and ODIS data, controlled to RPW
- Cost (billions)	0.37	Unit Cost (from CRA costs) * volume
= Contribution (billions)	2.36	
<u>÷ Volume (billions)</u>	<u>8.23</u>	ODIS, controlled to RPW
= Contribution per piece	0.29	

(d) The contribution figures of \$0.18 from USPS-T-32, Workpaper I, page 2, Docket No. R97-1 and Attachment USPS-33B were derived for First-Class letter mail as a whole, while the \$0.29 per piece contribution reported in USPS-LR-I-191 is only for First-Class nonpresort "CEM" letters only.

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(e) The "Christensen Associates' Segmentation Analysis" refers to the methodology recounted in sections (a) and (c) of this answer.

(f) The document provided in USPS-LR-I-191 is the most recent version produced.

Attachment
Response to
OCA/USPS-121

Volumes by "Segment" FY97						
<u>Segment</u>	<u>Mail Piece Characteristics (Shape, FIM, Address)</u>	<u>FY97 ODIS First-Class Non-Presort Volume (millions)</u> [1]	<u>Percent of ODIS volume, by shape</u> [2] [3]		<u>RPW Adjusted Volume (billions)</u> [4]	<u>Segment Volume (billions)</u> [5]
"Aunt Minnie"	Letter, Non-FIM, Script	12,928,400	23.3%		12,635	
"Aunt Minnie"	Card, Non-FIM, Script	737,248		21.2%	638	13,273
CEM	Letter, FIM, Script	82,876	0.1%		81	
CEM	Letter, FIM, Non-Script	8,336,220	15.0%		8,147	8,228
Other	Card, FIM, Script	50,993		1.5%	44	
Other	Card, FIM, Non-Script	472,031		13.6%	408	
Other	Flat	5,015,960	9.0%		4,902	
Other	IPP	492,247	0.9%		481	5,836
SOHO	Letter, Non-FIM, Non-Script	28,643,100	51.6%		27,994	
SOHO	Card, Non-FIM, Non-Script	2,211,240		63.7%	1,913	29,907
Total		58,970,315	100%	100%	57,244	57,244
Total	Letters, Flats, IPPs	55,498,803	[6]			
Total	Cards	3,471,512	[7]			
FY97 RPW First-Class Non-Presort Volume (millions)						
	Letters, Flats, and IPPs	54,240,238	[8]			
	Mailing Cards	3,003,755	[9]			
	Total	57,243,993				

where [2] = [1]/[6] for letters, flats, and IPPs only
 [3] = [1]/[7] for cards only
 [4] = [2]*[8] for letters, flats, IPPs or [3]*[9] for cards
 [5] = sum [4] by segment
 [6] = sum of [1] by shape
 [7] = sum of [1] by shape

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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