

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

NOTICE OF THE UNITED STATES POSTAL SERVICE
CONCERNING ERRATA TO RESPONSE OF WITNESS MAYES TO
INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T32-6) (ERRATUM)

The United States Postal Service hereby provides the revised response of witness Mayes to the following interrogatory of the Office of the Consumer Advocate: OCA/USPS-T32-6.

Changes in the attachment to that response are made to conform to the changes in the Exhibit USPS-32B, filed on April 21, 2000. The revised response supersedes the original response.

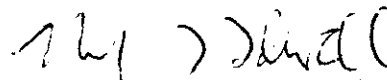
The interrogatory is stated verbatim and is followed by the revised response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



Michael T. Tidwell

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2998 Fax -5402
April 25, 2000

OCA/USPS-T32-6. Please confirm the following properties of a markup index. If you do not confirm, please provide a mathematical demonstration of the contrary.

- (a) The markup index for a subclass of mail is directly proportional to the relative portion of institutional costs borne by that subclass.
- (b) The markup index for a subclass of mail is inversely proportional to the relative portion of attributable costs borne by that subclass.
- (c) Simultaneously increasing the institutional share *and* decreasing the attributable share of costs borne by a subclass will unambiguously cause the markup index for that subclass to increase.

Response:

(a) I have attached a table based on my Exhibit USPS-32B, as revised 4-21-2000. For illustrative purposes, I have added a column which calculates for the subclasses shown the portion of total non-volume variable costs represented by the difference between each subclass's revenue and its volume variable costs.

As shown in the attachment to this response, I cannot derive any meaningful mathematical relationship between the markup index and the relative portion of non-volume variable costs.

(b) As shown in the attachment to this response, I cannot derive any meaningful mathematical relationship between the markup index and the relative portion of volume variable costs borne by a subclass as measured by the percent of total volume variable costs represented by a subclass's volume variable cost.

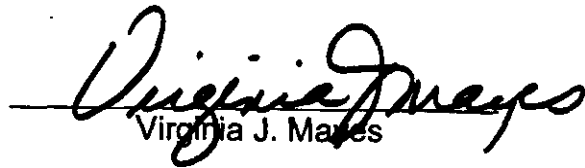
(c) Although it seems plausible that if a subclass's share of total volume variable costs decreases and the subclass's share of total non-volume variable costs increases, the markup index for that subclass will increase, I have been unable to mathematically confirm this relationship so I am unsure that it would always be true.

Summary of Estimated Test Year After Rates Finances
Revenue and Volume Variable Cost
(Dollars in Thousands)

Description	Volume Variable Cost (1)	Revenue (2)	Revenue as Percent of Cost (Col. 2/Col. 1) (3)	Revenue Minus Vol. Var. Cost (Col. 2 - Col. 1) (4)	Markup Index (Col. 3 - 100%) (System Avg. - 100%) (5)	Portion of Non-Vol. Variable Cost (6)	Markup Index Divided by Portion of Non-Vol. Var. Cost (7)	Portion of Volume Variable Cost (8)	Markup Index Divided by Portion of Vol. Var. Cost (9)
First-Class Mail									
Total Letters	18,345,508	36,165,944	197.1%	17,820,438	1.422	63.7%	2.232	45.0%	3.180
Total Cards	708,877	1,052,689	148.5%	343,812	0.710	1.2%	57.769	1.7%	40.839
Total First-Class Mail	19,054,383	37,218,633	195.3%	18,164,250	1.395	64.9%	2.149	46.7%	2.986
Priority Mail	3,064,062	5,542,259	180.9%	2,478,197	1.184	8.9%	13.365	7.5%	15.756
Express Mail	480,984	1,068,567	222.2%	587,583	1.788	2.1%	85.141	1.2%	151.600
Mailgrams	1,000	1,136	113.6%	136	0.199	0.0%	40,951.394	0.0%	8,095.724
Periodicals									
Within County	81,397	81,847	100.8%	450	0.008	0.0%	503.107	0.2%	4.058
Outside County	2,384,191	2,416,926	101.4%	32,735	0.020	0.1%	17.176	5.6%	0.344
Total Periodicals	2,465,588	2,498,774	101.3%	33,186	0.020	0.1%	18.609	6.0%	0.326
Standard Mail (A)									
Regular	8,623,933	9,070,437	132.9%	2,246,504	0.482	8.0%	6.001	16.7%	2.880
Enhanced Carrier Route	2,471,864	5,162,024	208.8%	2,690,160	1.593	9.8%	16.567	6.1%	26.280
Total Commercial	9,295,797	14,232,461	153.1%	4,936,664	0.777	17.8%	4.405	22.8%	3.410
Nonprofit	1,320,611	1,543,087	116.8%	222,476	0.247	0.8%	31.009	3.2%	7.814
Enhanced Carrier Route	208,577	264,218	126.7%	55,641	0.390	0.2%	198.337	0.5%	76.340
Total Nonprofit	1,529,188	1,807,305	118.2%	278,117	0.286	1.0%	28.780	3.7%	7.099
Total Standard Mail (A)	10,824,985	16,039,766	148.2%	5,214,781	0.705	18.6%	3.783	26.5%	2.656
Standard Mail (B)									
Parcel Post	1,052,156	1,211,453	115.1%	159,295	0.222	0.6%	38.921	2.6%	8.589
Bound Printed Matter	479,204	563,443	117.6%	84,239	0.257	0.3%	85.457	1.2%	21.896
Special Rate	301,195	338,764	112.5%	37,569	0.183	0.1%	135.963	0.7%	24.719
Library Rate	47,444	49,872	104.7%	2,228	0.069	0.0%	863.152	0.1%	59.079
Total Standard Mail (B)	1,880,001	2,163,332	115.1%	283,331	0.221	1.0%	21.783	4.6%	4.785

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: 4-25-00

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 over a horizontal line.

Michael T. Tidwell

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